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TAKING CONSUMERS FOR A RIDE: BUSINESS PRACTICES IN THE HOUSEHOLD GOODS MOVING INDUSTRY

HEARING

BEFORE THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION UNITED STATES SENATE

ONE HUNDRED TWELFTH CONGRESS

SECOND SESSION

SEPTEMBER 20, 2012

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ONE HUNDRED TWELFTH CONGRESS

SECOND SESSION

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TAKING CONSUMERS FOR A RIDE: BUSINESS PRACTICES IN THE HOUSEHOLD GOODS MOVING INDUSTRY

THURSDAY, SEPTEMBER 20, 2012

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
Washington, DC.

The Committee met, pursuant to notice, at 10 a.m. in room SR–253, Russell Senate Office Building, Hon. John D. Rockefeller IV, Chairman of the Committee, presiding.

OPENING STATEMENT OF HON. JOHN D. ROCKEFELLER IV, U.S. SENATOR FROM WEST VIRGINIA

The CHAIRMAN. OK, this hearing will come to order. Senator DeMint is on the way. Senator Lautenberg, and Senator Udall, and others will be coming.

We are talking today about what, at least those of us who have worked on this, consider to be a consumer scam, and we have—we do a lot of that in this Committee. The nature of the Committee has changed just a bit, and we really look out for consumers, whether it is during the healthcare debate or whatever. We are consumer-friendly.

And, it is a scam that takes advantage of American families at really one of the most vulnerable times in their lives, doing something which they will probably only do once or twice in their entire lives. They load all of their worldly possessions into a moving truck and move to a place where they have found a new job, a new opportunity, a new home, or for whatever reason. But, it does not happen very often in somebody's life.

Now, long ago, Congress recognized that a household move is a unique category of interstate commerce, a type of commerce that requires special consumer protections. American consumers are using moving companies, as I indicated, only a few times in their lives, and we should not expect them to understand the complicated rules governing interstate shipping. That is beyond the requirements that they have, but not beyond the requirements that the rest of us have.

And, even if they do their homework before they hire a moving company, consumers do not understand all of the fine print on the paperwork, the bill of lading. We've got a lot of fine print around here, and it is very effective, and can move through, and it is used for lots of different reasons, most of them not particularly helpful, primarily because people do not read them, do not want to read

them, cannot read them, do not read them. It does not matter. And, the bill of lading there has to sign as their possessions are loaded on to a moving truck.

It is an ugly fact that there are some moving companies in this country that are willing to take advantage of consumers' lack of information and experience. Easy to do.

Ms. Kovalcik, you will be talking to us about that.

And, one of our witnesses, and in fact, Reana Kovalcik, is going to tell us how dishonest moving companies can turn the, already distressful circumstance of a household move, which is, in fact, exactly that, into a full scale personal disaster.

This Committee and others in Congress have been aware of the problems of the moving industry for many years. On several occasions, we have written laws that we hoped would put an end to these abusive practices. It is easy to write laws. Actually, it is sort of hard these days to write laws or get them passed, but even if we do, it is very hard to stop practices which are not the majority of moving, because the majority of moving is handled in a proper way, and the minority is not, but the minority is enough so that we want to concentrate on that.

So, just a few months ago, in fact, in the Surface Transportation Authority law, called MAP–21—I have never really quite figured out why it is called MAP–21, but it really does not matter. That is what is called. And, we struggled mightily over that bill, for a long time, and finally got a bipartisan consensus and passed it, and we adopted some new, important consumer protections that Senator Lautenberg, who will be here shortly, and others worked very hard to develop. We thought we were doing trying to do the right thing.

Other groups were also working to clean up the moving industry. Our witness from the Department of Transportation Inspector General's Office, Mr. Timothy Barry—Mr. Barry is right there—is going to tell us about the great work that he does, well the work that you do is, when you tell us, we will think is probably great, with law enforcement agencies across the country to track down and prosecute moving companies that defraud customers.

And this, for a small interruption, is something that interests me a lot. We are talking about crime here. We are talking about crime. And, we are talking about scarce resources. We are talking about attorneys general in the states that just do not think that they have the time for this, and you can go down through all kinds of people who might or could be paying attention to this, but, for the most part, they do not. It is an interstate commerce matter, pure and simple. AGs could go after it, but the feds can do it most effectively, I think.

So, the question is to track down and to prosecute moving companies that defraud customers, not those who do not. You know, not those who have a proper bill of lading, and it is understood, and it has been read, and people have looked over the inventory, and had a chance to see all of that.

But, let us be honest. These efforts are not succeeding to put an end to the abuses, and hence, this hearing again today.

A new Commerce Committee staff report that I released today, and I ask you now as a consent to release it, and I grant myself that honor.

[The information referred to follows:]

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

OFFICE OF OVERSIGHT AND INVESTIGATIONS
MAJORITY STAFF

INTERNET MOVING BROKERS

A NEW CONSUMER PROTECTION PROBLEM IN THE HOUSEHOLD GOODS MOVING INDUSTRY

STAFF REPORT FOR CHAIRMAN ROCKEFELLER
SEPTEMBER 19, 2012

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Exhibit 1: Examples of "Deposits"

Executive Summary

Each year, an estimated 1.6 million Americans use the services of household goods carriers and brokers to assist them with interstate moves. While most consumers appear to have a positive experience with the companies they hire, a significant number continue to complain about the business practices of certain moving companies. These consumers describe a "bait and switch" scheme where a moving company agrees to move their goods for one price, but then dramatically increases its charges after it has taken physical possession of the consumers' property. In some cases, the moving company will refuse to deliver consumers' goods at their new home unless they pay these exorbitant extra charges, a practice commonly referred to as holding customers' goods "hostage."

In the fall of 2011, Chairman Rockefeller directed Committee staff to open an investigation to determine why consumers continue to complain about troubling experiences with their moving companies. After carefully reviewing five years of consumer complaints filed with the Federal Motor Carrier Safety Administration (FMCSA), the investigation focused on a small group of moving companies that generated disproportionately large numbers of consumer complaints. In particular, the investigation examined the troubling practices of a small group of household good *brokers,* companies that arrange household moves, but do not actually perform them.

While policymaking and enforcement efforts have traditionally focused on the business practices of household goods *carriers,* the companies that transport consumers' property to their new homes, the investigation has found that moving brokers are creating the conditions that lead to many of the complaints that consumers make about interstate moves.

Committee staff interviewed dozens of the moving brokers' former customers, reviewed hundreds of consumer complaints, and reviewed thousands of the companies' customer files. The evidence obtained through the investigation showed that the practices of certain types of moving brokers regularly harm consumers. The key findings of the Committee's investigation are:

The moving brokers that have the most complaints filed with the FMCSA employed similar business practices and relied heavily on the Internet to generate business. Consumers who used the brokers that generated the most complaints

filed with the FMCSA described very consistent scenarios. The consumers went online to shop for moving services and through an Internet search, usually conducted via a search engine, the consumers identified and contacted an "Internet moving broker." Frequently, the business names used by the brokers were often very similar to well-known, reputable brand names, like United Van Lines or Budget Truck Rental.

The business practices that Internet moving brokers use to find customers, provide estimates, and arrange moves regularly confuse consumers. Committee staff has interviewed dozens of the Internet moving brokers' former customers who repeatedly stated that they were not made aware that they were hiring a broker, and that they were surprised when an entirely different company arrived on the day of their move. Consumer complaints obtained by the Committee also regularly showed that consumers were not made aware they were hiring a broker, rather than a carrier. The websites for Internet moving brokers often failed to clearly disclose the fact that they are merely brokers and that they do not play a role in the interstate moves that consumers are undertaking.

Internet moving brokers have their customers pay "deposits" that are nothing more than their fees. Internet moving brokers provided information to the Committee that showed they labeled their broker fees, which sometimes amounted to thousands of dollars, as "deposits." Consumers repeatedly stated that they were not aware these "deposits" were not dedicated to the payment of their actual moves. Customers of Internet moving brokers frequently paid thousands of dollars in "deposits" to the Internet moving brokers and these "deposits" were never shared with the carriers performing the moves. Consequently, before the consumers' belongings were placed on trucks, they had already paid hundreds—and sometimes thousands—of dollars, to companies that played no role in the actual moves.

Internet moving brokers never do on-site visits to catalog consumers' belongings and determine the price estimates. Without conducting visual inspections of the consumers' goods the brokers gave the consumers an estimated price for the moves. The brokers' estimates were usually significantly lower than the prices quoted by other moving companies that conducted on-site visits.

The "binding estimates" that Internet moving brokers provided to their customers frequently provided no price certainty. Although the purpose of a "binding estimate" is to provide price certainty for a consumer undertaking an interstate move, consumers who booked their moves through Internet moving brokers often experienced significant price increases for their moves after the moves had begun. Committee staff found multiple examples of price increases for thousands of dollars with very little justification for the increases.

Internet moving brokers create the conditions for harmful moving experiences. To convince consumers to do business with them, Internet moving brokers frequently provided very low estimates to consumers. Because Internet moving brokers also routinely took substantial fees, labeled as "deposits," many carriers inevitably attempted to make up the difference by increasing the price once the moves began.

Internet moving brokers should be aware their practices are harming consumers. Committee staff found a significant amount of evidence suggesting that Internet moving brokers should be aware that their practices are harming consumers. Their former customers frequently complained to them about terrible moving experiences, including significant price increases and carriers holding their goods hostage.

As more Americans feel comfortable arranging their household moves online, Internet-based moving brokers will have more opportunities to harm consumers. Policymakers, regulators, and law enforcement officials will need to spend more time understanding how Internet moving brokers operate and how they are changing the household goods industry.

I. Background

A. Overview of the Household Goods Moving Industry

All moves that occur within the United States are either intrastate or interstate. An intrastate move is within one state and never crosses state lines. These moves are regulated, if at all, by the state in which the move occurs and the cost is gen-

erally determined on a per-hour basis.[1] Interstate moves cross at least one state line and are regulated by federal law. The cost of an interstate move is typically based upon the weight of the goods to be shipped and the distance travelled.[2] Until 1995, the interstate moving industry was regulated by the Interstate Commerce Commission. Today, it is regulated by the Federal Motor Carrier Safety Administration (FMCSA), a division of the Department of Transportation.

The interstate household goods moving industry is comprised of three players: individual shippers, household goods motor carriers, and household goods moving brokers.

Shippers An individual shipper is a person who is paying to move household goods.[3] Shippers are the consumers of the household goods moving industry.[4] They employ the services of either a carrier or broker to arrange their shipments.

Carriers A household goods motor carrier transports household goods. Carriers also regularly offer additional services to consumers, including providing estimates, packing household goods, and loading and unloading household goods.[5] Companies operating as carriers range from national moving companies and their local agents, such as United Van Lines, Mayflower Transit, and North American Van Lines, to smaller independent moving companies. The national moving companies, or van lines, "handle dispatching, shipment routing and monitoring, paperwork processing, and claims settlement" and rely upon their local agents to facilitate the moves.[6] The local agents are full-service moving and storage companies that are either owned by a van line or are independently owned and operated, but affiliated with a van line. The independent moving companies are also full-service moving and storage companies, but have no affiliation with the national moving companies.

Brokers Household goods moving brokers provide moving estimates and coordinate moves between a shipper and carrier.[7] Brokers often do not own trucks and do not perform any moving services. Brokers charge shippers a fee to provide an estimate and locate a carrier who will pick up and transport the shippers' goods. Over the past decade, the increased use of the Internet by consumers has increased the presence and use of Internet moving brokers, which will be discussed further below.

To operate as either a carrier or broker a company must register and apply for operating authority with the FMCSA. To register as a household goods motor carrier, federal law requires a company to meet the following requirements:

- It must offer shippers an arbitration process through which they can resolve disputes over charges and damage claims;
- It must publish its rates in a tariff and make this tariff available to its shipper customers;
- It must be familiar with and observe federal consumer protection laws that apply to household goods moving; and
- It must disclose any business or family relationships with other carriers, freight forwarders, or brokers.[8]

Provisions included within the new surface transportation law (MAP–21) will impose additional requirements on carriers applying for operating authority, including

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[1] American Moving and Storage Association, *Make a Smart Move, Consumer Handbook: A Practical Guide to Interstate Moving* (2007) at 1(online at *www.moving.org*).

[2] Some interstate movers will charge based upon volume, or the cubic feet that goods fill in the truck. FMCSA requires that all interstate moves with a non-binding estimate be based upon the actual weight of the shipment. The regulations require that the shipment be weighed on a certified scale and weight tickets be provided to the shipper to substantiate the final charges. 49 C.F.R. § 375.507.

[3] 49 U.S.C.A. § 13102(13); 49 C.F.R. § 365.105.

[4] The terms "consumers" and "shippers" will be used interchangeably throughout this report.

[5] 49 U.S.C.A. § 13102(12).

[6] *The Moving and Storage Industry in the U.S. Economy: Facilitating Economic Growth by Making Residential Mobility Easier, Creating Opportunities for Small Businesses, and Stimulating Other Industries throughout the Economy,* Robert Damuth, Vice President, Nathan Associates Inc. (Oct. 8, 2008) at 6 (online at *http://www.promover.org/files/msi/msi_report.pdf*).

[7] According to the regulations, a household goods broker means a person, other than a motor carrier or an employee or bona fide agent of a motor carrier, that as a principal or agent sells, offers for sale, negotiates for, or holds itself out by solicitation, advertisement, or otherwise as selling, providing, or arranging for, transportation of household goods by motor carrier for compensation. 49 C.F.R. § 371.103.

[8] 49 U.S.C.A. § 13902(a)(2).

passing an examination intending to ensure that they understand all applicable federal consumer protection laws and that they will comply with them.[9]

B. Estimates and Transport

For a shipper planning an interstate move, the two most important phases of the move are the estimate, which is provided by the broker or carrier, and the actual transport of the shipper's household goods, which is solely provided by carriers. Congress has passed laws that govern the interactions between shippers, brokers, and carriers during these two phases in order to protect the rights of all parties. In creating rules for these interactions, Congress has specifically noted the vulnerabilities of shippers in interstate moves. For example, in passing the Household Goods Transportation Act of 1980, the House Committee on Public Works and Transportation noted:

> [S]hippers usually move only once or twice in their lives and, consequently, lack a thorough understanding of the industry and sufficient clout to negotiate with it. Their situation is made more vulnerable by the fact that the moves involve all of their personal possessions, which often are of a fragile nature.[10]

1. Estimates

FMCSA requires movers to prepare written cost estimates for every shipment. Both carriers and brokers are authorized to provide estimates. If a broker is providing an estimate on behalf of a carrier, the broker must have a written agreement with the carrier whereby the carrier agrees to accept and honor that estimate.[11] Every estimate must be signed by both the carrier or broker and the shipper, and a dated copy must be provided to the shipper.[12]

Estimates can be either "binding" or "non-binding." A binding estimate is "an agreement made in advance with [an] individual shipper. It guarantees the total cost of the move based upon the quantities and services shown on [the] estimate . . ."[13] In 1980, Congress created the authority for binding estimates in order to provide the shipper with "price certainty" for moving costs.[14] A House Committee report explained its reasoning for supporting the creation of binding estimates:

> An estimate is a price quote for performance of transportation services by a household goods carrier. Under existing law, an estimate is based upon an assessment of the weight of the shipment, plus other incidents of the service, such as distance and the amount of accessorial work that is to be performed. The estimate is not binding. The actual charge for the transportation service is based on the actual weight of the shipment and the cost for that weight. Therefore, if a household goods carrier gives a consumer an estimate of $1,200 for its service, and after weighing the shipment, the charge is $1,800, the carrier must charge the shipper $1,800. This requirement has resulted in a great deal of consumer dissatisfaction. In order to address this problem, these subsections create a foundation for written binding estimates.[15]

With the new provision, the Committee report explained that:

> [A] carrier may give a written binding estimate of $1,200, and regardless of the weight of the shipment, the carrier can charge the consumer the quoted price of $1,200. The benefit to the shipper is that he or she achieves price certainty. . .[16]

As will be discussed further below, the written binding estimates that some Internet moving brokers are giving to shippers do not appear to be providing the "price certainty" for shippers that Congress envisioned when it passed legislation on written binding estimates in 1980.

In contrast to a binding estimate, a non-binding estimate is merely an approximation of the cost. The final price is based upon "the actual weight of the individual

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[9] Moving Ahead for Progress in the 21st Century (MAP–21), Pub. L. No. 112–141 (July 6, 2012).

[10] House Committee on Public Works and Transportation, *Household Goods Transportation Act of 1980,* 96th Cong., at 2 (1980) (H. Rept. No. 96–1372).

[11] 49 C.F.R. § 371.115 and 49 C.F.R. § 375.409.

[12] 49 C.F.R § 375.401.

[13] 49 C.F.R § 375.401(b)(1).

[14] House Committee on Public Works and Transportation, *Household Goods Transportation Act of 1980,* 96th Cong., at 7 (1980) (Report No. 96–1372).

[15] *Id.*

[16] *Id.* at 2.

shipper's shipment" [17] and will be determined after the shipment has been loaded and weighed. For all non-binding estimates, the carrier is required to weigh the shipment prior to assessing any charges due. The carrier must be able to furnish weight tickets to the shipper to substantiate the charges and provide the shipper an opportunity to observe the weighing of the goods.[18]

To provide either a binding or non-binding estimate, a carrier or broker is required to conduct a physical survey of the goods to be moved if the goods are located within 50 miles of the carrier, broker, or their agent. If the goods to be shipped are located more than 50 miles away, or the shipper waives this requirement in writing, then an estimate can be based upon an inventory provided over the telephone or the Internet.[19]

While estimates via the telephone and the Internet are allowed under current law, both the Better Business Bureau (BBB) and the American Moving and Storage Association (AMSA) advise consumers to get multiple estimates based upon in-home visual inspections of their goods. Estimates based upon a physical survey of the goods to be moved are more accurate. The Better Business Bureau instructs consumers to "get at least three *in-home* estimates," and warns consumers that, "[n]o legitimate mover will offer to give you a firm estimate on-line or over the telephone." [20] In an article written to explain the interstate moving process, AMSA warns consumers that "if a mover you are considering refuses to provide you with an in-home estimate and tells you he can provide an accurate estimate over the phone without ever seeing your home and your furniture—you may want to choose another mover." [21] The major van lines provide the majority of their estimates based upon a visual inspection of the goods to be shipped.

2. Delivery

Federal regulations also outline how carriers are to be paid and when they must relinquish possession of shippers' goods in interstate moves. Upon delivery, a carrier is required to relinquish possession of shippers' household goods upon payment of 100 percent of the charges contained in a binding estimate or 110 percent of the charges contained in a non-binding estimate. Carriers can charge shippers the amount that is in excess of the 110 percent, so long as it is charged after 30 days.[22]

These rules do not apply to any "post-contract services" requested by the shipper after the contract of service has been executed.[23] This provision allows carriers to include additional charges, such as fees for packing services and materials, shuttle services, and fees for walking distances exceeding 75 feet, at the time of delivery. Charges for "post-contract services" can be collected by the carrier at the time of delivery prior to unloading the shippers' goods.

While carriers are permitted to charge for additional services that are requested by shippers or are necessary to complete the move, these charges need to be agreed upon prior to loading goods onto the truck. Federal regulations require that, if additional services are necessary or requested by the shipper, the carrier must negotiate a revised estimate prior to loading any goods onto the truck. If the shipper and carrier have not agreed upon a new estimate, and the carrier begins loading goods onto the truck, the carrier has reaffirmed the original estimate and therefore cannot demand payment for the additional services at the time of delivery.[24] If additional services are necessary after the goods are in transit, then the services need to be agreed upon before the carrier performs those services. Charges for any additional services not agreed upon prior to loading or performance may be charged to the shipper after 30 days.[25]

Each carrier is required to establish an arbitration program available for shippers to resolve disputes about loss, damage, and disputes over whether additional carrier charges must be paid. Federal regulations provide very specific guidelines for what elements the arbitration program must include.[26]

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[17] 49 C.F.R § 375.401(b)(2).
[18] 49 C.F.R § 375.513; 49 C.F.R. § 375.519 .
[19] 49 U.S.C.A. § 14104; 49 C.F.R. § 375.401(a).
[20] Better Business Bureau, *May is National Moving Month: BBB Advice for A Smooth Move* (May 1, 2012).
[21] American Moving and Storage Association, *Make a Smart Move, Consumer Handbook: A Practical Guide to Interstate Moving* (2007) at 5 (online at *www.moving.org*) (emphasis omitted).
[22] 49 U.S.C.A. § 13707(b)(3)(A); 49 C.F.R. § 375.403(a)(10); 49 C.F.R. § 375.405(b)(10).
[23] 49 U.S.C.A. § 13707(b)(3)(C).
[24] 49 C.F.R. § 375.403(a)(7).
[25] 49 C.F.R. § 375.403(a)(8).
[26] 49 C.F.R. § 375.211.

C. Common Abuses and Congressional Responses

For years, shippers have complained about dramatic, unexpected price increases while their belongings are in transit during interstate moves. And in more egregious cases, shippers have complained that carriers have held their belongings "hostage," until they pay additional fees that sometimes total thousands of dollars. These abuses are well-known and over the past several decades, Congress has repeatedly passed legislation to address them.

In 2005, Congress included provisions in the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA–LU) aimed at protecting consumers from abusive practices within the household goods moving industry.[27] In addition to creating civil and criminal penalties and stricter licensing requirements for carriers, the legislation included a grant of authority to the states to enforce federal consumer protection law against interstate movers. These provisions allowed the State Attorneys General and other state regulatory agencies to enforce the federal consumer protection laws. Despite early praise for this measure, no State Attorneys General or state regulatory agency has used this grant of authority to bring a case against an interstate mover.[28]

In 2006, almost one year after the passage of SAFETEA–LU, the Senate Commerce Committee held a hearing focused on fraud in the moving industry.[29] Witnesses at the hearing highlighted the frequency of situations in which consumers received low estimates, only to have the price increase dramatically once the consumers' household goods had been picked up by the moving company. Testimony suggested that "rogue" movers that operate without licenses and frequently change names to avoid detection were primarily responsible for holding consumers' goods hostage and that an increase in the use of the Internet had worsened the problem. When describing cases investigated by the Department of Transportation, Office of the Inspector General, Acting Inspector General Todd J. Zinser stated:

> Prior to the advent of the Internet, operators. . .relied primarily on advertising through telephone directories, newspapers, and direct mail. The Internet has broadened the market, and for unscrupulous movers, this enables them to lure customers well beyond their local area.[30]

The Government Accountability Office (GAO) has issued two reports, in 2007 and 2009, examining the state of consumer protection in the moving industry. In these reports, GAO found that FMCSA had made progress in implementing the consumer protection initiatives specified in SAFETEA–LU, but these improvements had been slow and were still not adequately protecting consumers from abusive practices within the industry. The 2007 report highlighted that the practice of moving companies' holding household goods hostage while demanding excessive fees was still a problem, made worse by consumers' lack of familiarity with the process and the growth of the Internet. The report provided:

> Consumers today use the Internet to shop and compare prices for many products and services, including moving services. But because consumers may only contract for moving services once or twice in their lifetime, they may not know how to identify a legitimate mover. Some federal and state officials told us that interstate movers who advertise on the Internet are a significant source of consumer complaints.[31]

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[27] Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA–LU), Pub. L. No. 109–59, §§ 4201–4216 (Aug. 10, 2005).

[28] In 2009, the Government Accountability Office conducted a survey of State Attorneys General and state regulatory agencies to see why the offices were not utilizing the powers given to them in SAFETEA–LU. Some of the reasons expressed were that federal remedies do not benefit the states, the penalties were insufficient, and the inability to bring cases in state court. Government Accountability Office, *Household Goods Moving Industry, Progress Has Been Made in Enforcement, but Increased Focus on Consumer Protection is Needed* (Oct. 2009) at 13 (GAO–10–38).

[29] Senate Committee on Commerce, Science, and Transportation, Subcommittee on Surface Transportation and Merchant Marine Infrastructure, Safety, and Security, Hearing on *Protecting Consumers from Fraudulent Practices in the Moving Industry,* 109th Cong. (May 4, 2006) (S. Hrg. 109–529).

[30] *Id.* at 6 (Prepared statement of Department of Transportation Acting Inspector General, Todd J. Zinzer).

[31] Government Accountability Office, *Consumer Protection: Some Improvements in Federal Oversight of Household Goods Moving Industry Since 2001, but More Action Needed to Better Protect Individual Consumers* (May 2007) at 20 (GAO–07–586).

As will be discussed below, despite the attention devoted to this issue following the passage of SAFETEA–LU, consumer complaints about the moving industry have continued to increase.

On July 6, 2012, President Obama signed the Moving Ahead for Progress in the 21st Century Act (MAP–21) into law.[32] MAP–21 also included additional requirements for registration of household goods motor carriers. Specifically, beginning in 2014, applicants will be required to successfully pass an examination to demonstrate knowledge and intent to comply with applicable federal laws relating to consumer protection and will be subject to a consumer protection standards review within the first 18 months of operations.

In addition to these registration requirements, MAP–21 included two initiatives intended to provide assistance and remedies for consumers. For shippers who find themselves in a situation where a carrier is holding their goods hostage, a provision in MAP–21 will permit all or a portion of any civil penalties collected from the carrier to be assigned to the aggrieved shipper. Additionally, the new law gives the Secretary of Transportation the authority to order the return of a shipper's goods, following notice to the carrier and an opportunity for a proceeding.

D. Criminal Enforcement Actions

As Congress has worked to strengthen consumer protections for household goods shippers, the Department of Transportation Inspector General's (DOT OIG) office and other law enforcement agencies have been pursuing criminal cases against moving companies that overcharge and hold their customers' goods hostage. The fact patterns in these cases are often very similar to the consumer complaints Committee staff reviewed during this investigation.

For example, in June 2000, the DOT OIG announced that a U.S. District Court in California had sentenced three individuals for mail and wire fraud conspiracy, in connection with a household moving extortion scam involving multiple moving companies in New York, Florida, and California, that attempted to defraud up to 875 consumers.[33] As part of the scheme, the defendants—who operated through companies named North American Moving, United Interstate Movers, Strong and Gentle Moving Company, Prime Moving and Storage, and AAA Moving Systems—would hold consumers' household goods as ransom unless the victims agreed to pay huge extra amounts of money. Two men were each sentenced to 33 months in jail and ordered to pay almost $485,000 to their victims; a third individual was fined $5,000 and ordered to pay $14,600 in restitution.[34]

In 2001 and 2002, the DOT OIG announced a series of criminal actions as part of a two-year investigation into a household moving scam that defrauded 259 victims and cost at least $1.5 million.[35] As part of the scheme, the owner and employees of All American Van Lines in Pembroke Park, Florida, induced victims to contract for moving and shipping services and subsequently charged higher "hidden costs" associated with the shipment of their goods. The defendants then held the goods as ransom and, in some cases, never returned the victims' belongings. Three defendants, who were former employees, were sentenced to jail terms of 12 to 20 months and ordered to pay restitution ranging from $5,914 to $780,543. The former president and owner was ordered to pay $2.5 million in restitution and sentenced to 40 months in prison.[36]

The DOT OIG, along with the FBI and FMCSA, conducted an investigation into household goods moving fraud that in 2003 resulted in the convictions of three

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[32] Moving Ahead for Progress in the 21st Century (MAP–21), Pub. L. No. 112–141 (July 6, 2012).

[33] *See* DOT OIG, Press Release, *Three Sentenced in Moving Scam Involving Up to 875 Possible Victims* (June 26, 2000) (online at *http://www.oig.dot.gov/library-item/3091*).

[34] *Id.*

[35] *See* DOT OIG, Press Release, *Former Moving Company Employees Jailed in Fraud Case* (Apr. 9, 2002) (online at *http://www.oig.dot.gov/library-item/2958*); DOT OIG, Press Release, *Moving Company Owner Jailed for Defrauding 259 People* (July 13, 2001) (online at *http://www.oig.dot.gov/library-item/2845*); DOT OIG, Press Release, *Four All American Van Lines Company Employees Jailed* (July 13, 2001) (online at *http://www.oig.dot.gov/library-item/3092*); DOT OIG, Press Release, *Foreman of Household Goods Moving Company Jailed* (May 11, 2001) (online at *http://www.oig.dot.gov/library-item/2825*).

[36] *See* DOT OIG, Press Release, *Former Moving Company Employees Jailed in Fraud Case* (Apr. 9, 2002) (online at *http://www.oig.dot.gov/library-item/2958*); DOT OIG, Press Release, *Moving Company Owner Jailed for Defrauding 259 People* (July 13, 2001) (online at *http://www.oig.dot.gov/library-item/2845*); DOT OIG, Press Release, *Four All American Van Lines Company Employees Jailed* (July 13, 2001) (online at *http://www.oig.dot.gov/library-item/3092*); DOT OIG, Press Release, *Foreman of Household Goods Moving Company Jailed* (May 11, 2001) (online at *http://www.oig.dot.gov/library-item/2825*).

Brooklyn movers operating under four different names.[37] According to press reports, "the business was a racket; its modus operandi was to win customers with low estimates, and then, once the goods were on the truck, to demand up to four times as much. If customers balked at paying, the movers locked their belongings in a warehouse and demanded even greater sums."[38] The defendants were able to extort over $400,000 from more than 100 victims. As part of the sentence, two of the defendants were required to pay more than $1.4 million in fines and each serve more than 12 ½ years in prison.

The DOT OIG also conducted an investigation with the FBI and FMSCA into a fraud by numerous moving companies that netted $1.8 million from over 1,000 victims during the course of a two-year conspiracy.[39] The investigation resulted in charges being brought against 16 companies and 74 individuals, with numerous defendants paying restitution and serving time in prison. Defendant Yair Molol, the owner and president of four moving companies at issue, was sentenced to 12 ½ years in prison and was ordered to forfeit his interest in numerous assets, including his residence as well as accounts totaling more than $115,000. According to the DOT OIG:

> Malol provided low moving estimates to customers to induce them to hire the companies to move their goods. Once customers retained the company, the company's employees arrived at customers' homes, packed customers' belongings in a moving truck, and rushed customers through the paperwork, causing them to sign blank or incomplete bills of lading and other documents, and failing to inform them of the total price of the move. Once the customers' goods were loaded onto the moving truck, employees fraudulently inflated the total price of the move, often by thousands of dollars, claiming that customers' goods occupied more cubic feet than had been originally estimated and by overcharging the customers for packing materials. When contacted by customers requesting the delivery of their goods, Malol demanded full payment of the inflated price before delivery of the goods. In many cases, Malol and Tafuri-Vakin ignored customers' repeated complaints about the inflated price and/or provided false information to customers about the delivery of their goods. When customers refused to pay the inflated price, company employees arranged to warehouse customers' goods and refused to divulge the location of the goods to customers. Employees threatened to sell or auction off customers' household goods and personal items if payment was not received within a certain period of time. In some cases, Majesty Moving and Storage, America's Best Movers, My Best Movers, and Apollo Van Lines refused to adequately compensate customers for any damaged or undelivered items.[40]

In 2005, following a DOT OIG investigation, a U.S. District Court in Washington sentenced four defendants to jail for a scheme to defraud conducted through Nationwide Moving Systems, LLC, that involved more than 50 victims and profited Nationwide over $1 million.[41] The scheme was to provide "low-ball" moving estimates and

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[37] *See* DOT OIG, Press Release, *Three Brooklyn Movers Fined $1.4 Million for Extortion Scheme* (Oct. 16, 2003) (online at *http://www.oig.dot.gov/library-item/3162*); DOT OIG, Press Release, *Brooklyn Jury Convicts Three Household Movers for Defrauding Public* (May 9, 2003) (online at *http://www.oig.dot.gov/library-item/3127*); DOT OIG, Press Release, *Three Operators of Household Moving Companies Arrested in Extortion Scheme* (Feb. 20, 2002) (online at *http://www.oig.dot.gov/library-item/2940*).

[38] Andy Newman, *Movers Convicted of Fraud; Held Clients' Goods Hostage,* N.Y. Times (May 10, 2003) (online at *http://www.nytimes.com/2003/05/10/nyregion/movers-convicted-of-fraud-held-clients-goods-hostage.html*).

[39] *See, e.g.,* DOT OIG, Press Release, *President of moving companies involved in moving scheme sentenced to 12.5 years in prison* (Jan. 31, 2005) (online at *http://www.oig.dot.gov/library-item/3307*); DOT OIG, Press Release, *Moving Company Employees Fined $1.1 Million and Sentenced to Prison for Extorting Money From Customers* (Dec. 30, 2003) (online at *http://www.oig.dot.gov/library-item/3178*); DOT OIG, Press Release, *One Florida Mover Jailed, Another Pleads Guilty in Household Goods Moving Case* (Sep. 26, 2003) (online at *http://www.oig.dot.gov/library-item/3158*); DOT OIG, Press Release, *Miami Household Goods Movers Plead Guilty to Defrauding Public* (Aug. 8, 2003) (online at *http://www.oig.dot.gov/library-item/3147*); DOT OIG, Press Release, *57 Arrested to Date in Florida Household Movers Case* (Apr. 3, 2003) (online at *http://www.oig.dot.gov/library-item/3116*).

[40] DOT OIG, Press Release, *President of moving companies involved in moving scheme sentenced to 12.5 years in prison* (Jan. 31, 2005) (online at *http://www.oig.dot.gov/library-item/3307*).

[41] DOT OIG, Press Release, *Owner and Two Foremen of Interstate Moving Company Ordered to Pay $670,000 in Restitution to Victims of Household Goods Moving Scam* (Sep. 2, 2005) (online at *http://www.oig.dot.gov/library-item/3386*); DOT OIG, Press Release, *Interstate Moving*

Continued

later charge large amounts of money, often after having held consumers' possessions hostage. The defendants were sentenced to jail terms ranging from fifteen months to seven years, and were ordered to pay restitution totally more than $670,000.[42]

Although most of these criminal investigations have focused on carrier misconduct, recently DOT OIG announced criminal actions against a moving broker as well.[43] A series of criminal actions in San Jose, California, have focused on National Moving Network ("NMN"), a moving broker. According to a court transcript in which an NMN employee, Matthew Sandomir, pled guilty to the charge of theft from an interstate shipment, the scheme went as follows:

> The evidence would show that while working at [NMN], Mr. Sandomir learned that it was a regular part of [NMN]'s business to purposely provide fraudulently low bids to customers—or estimates. And the sales representatives were motivated to provide these artificial and fraudulently low quotes to customers because they received commissions in connection with the number of bids and were encouraged by management to move as many bids as possible and also encouraged, and in many ways directed, to provide arduously low bids to get more business. It would be a part of the evidence that there were discussions with management on the manner in which to manipulate the bidding process to make sure that customers received these low bids and that this topic was discussed among the estimators and also among management at NMN. It would also be part of the evidence that there was knowledge that AY Transport, which was a moving company that got a large—or a significant number of the moves booked by [NMN], habitually and systemically demanded amounts of up to two and three and four times the amounts of these bids as a part of the scheme, and that the consequence to the consumer was they were being told they had to pay these extortionately significantly greater fees, and if they didn't pay these larger fees, they would never get their goods back.[44]

As a result of the investigation, Mr. Sandomir and a number of defendants were sentenced to probation and have paid thousands of dollars in restitution.

E. Consumer Complaints

In spite of these legislative and enforcement efforts, thousands of consumers continue to complain every year about their interstate moves to FMCSA, the BBB, local and state agencies, and various consumer complaint websites. Since 2005, FMCSA has reported receiving nearly 10,000 complaints about shipments being held hostage and price increases or overcharges.[45] The numbers of complaints have risen in recent years. In 2011 alone, FMCSA received 2,851 consumer complaints about moving companies, up from 2,440 in 2010.[46] Similarly, in 2011, the Better Business Bureau received more than 9,000 complaints about moving companies,[47] which was an increase over 2010.

II. The Committee's Review of Consumer Complaints

In 2011, Chairman Rockefeller directed Committee staff to open an investigation to better understand why consumers continue to complain about troubling experi-

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Company Employee Sentenced to Jail in Household Goods (HHG) Case Involving Over $1 Million Loss (Jan. 6, 2005) (online at *http://www.oig.dot.gov/library-item/3296*).

[42] DOT OIG, Press Release, *Owner and Two Foremen of Interstate Moving Company Ordered to Pay $670,000 in Restitution to Victims of Household Goods Moving Scam* (Sep. 2, 2005) (online at *http://www.oig.dot.gov/library-item/3386*); DOT OIG, Press Release, *Interstate Moving Company Employee Sentenced to Jail in Household Goods (HHG) Case Involving Over $1 Million Loss* (Jan. 6, 2005) (online at *http://www.oig.dot.gov/library-item/3296*).

[43] DOT OIG, Press Release, *Former Moving Company Estimator Sentenced for His Role in a Household Goods Scheme* (May 25, 2012) (online at *http://www.oig.dot.gov/library-item/5828*); DOT OIG, Press Release, *Former San Jose Moving Company Employee Sentenced for Her Role in a "Low-ball" Estimate Household Goods Scheme* (Apr. 30, 2012) (online at *http://www.oig.dot.gov/library-item/5887*); DOT OIG, Press Release, *Florida Moving Brokerage Sales Representative Sentenced to 3 Years Probation and Ordered to Pay $30,000 in Restitution in Household Goods Extortion Scheme* (Nov. 26, 2008) (online at *http://www.oig.dot.gov/library-item/3670*).

[44] Matthew Sandomir Guilty Plea, *United States v. Ezyani, et al.,* No. 5:07-cr-00788 (N.D. Cal. May 14, 2008) (Doc. 206).

[45] FMCSA reports that between January 1, 2005 and October 1, 2011 they received 19,453 complaints. Approximately half of these complaints were about hostage shipments and charge disputes. Federal Motor Carrier Safety Administration Production (Oct. 21, 2011).

[46] U.S. Department of Transportation, *FMCSA Helps Consumers "Protect Your Move" with Moving Company Checklist: Checklist offers helpful tips during busiest moving season of the year* (May 23, 2012).

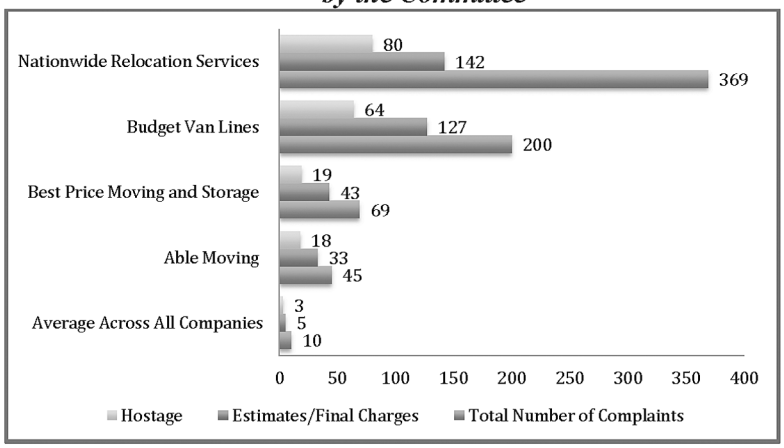
[47] Better Business Bureau, *Protect Your Move and Yourself During National Moving Month* (May 22, 2012).

ences with their moving companies. In October 2011, Chairman Rockefeller and Senator Lautenberg wrote a letter to FMCSA requesting the agency's consumer complaint data. Over the next several months, Committee staff analyzed these complaints to gain a better understanding of how frequently consumers complained to the agency about their moves, the types of complaints consumers made about their moves, and the moving companies named in the complaints.

The consumer complaint information that the FMCSA provided to the Committee showed that, since 2005, complaints related to hostage household goods situations and disputes over price increases accounted for almost 50 percent of the complaints that the agency received.[48] Complaints related to hostage situations and price increases were among the most frequently reported complaints from consumers. Since 2005, the agency has received over 4,000 complaints about hostage household goods situations and over 5,000 complaints about price increases.[49] The average number of complaints for price increases across all 1,164 companies that generated at least one complaint was 5.44.[50] The average number of hostage complaints was 3.22.[51]

The data showed that a small group of companies generated complaints about price increases and hostage situations at a much higher rate than the rest of the industry. The number of complaints against these companies was out of proportion to their size. As a result of this analysis, the Committee staff narrowed the scope of the investigation to focus on two carriers (Able Moving, Inc. and Best Price Moving and Storage) and two brokers (Nationwide Relocation Services and Budget Van Lines) whose complaint volumes were significantly higher than other moving companies. The practices of these companies produced more complaints than even the largest national van lines, as seen in Figure I below.[52]

Figure I – FMSCA Complaint Data and Companies Examined by the Committee



Source: Committee Review of FMSCA Compliant Data from 1/1/06 – 10/1/11

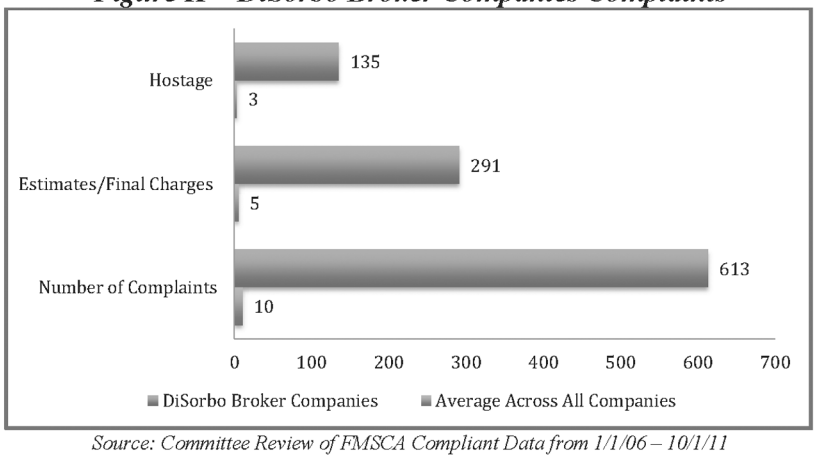
In the course of its review of FMCSA consumer complaints, Committee staff learned that the owner of Nationwide Relocation Services, Aldo DiSorbo, owns and operates several broker companies, all of which use the same business model and offer the same services as Nationwide Relocation Services.[53] For the purposes of its

[48] Federal Motor Carrier Safety Administration Production (Oct. 21, 2011).
[49] *Id.*
[50] Federal Motor Carrier Safety Administration Complaint Data (Oct. 20, 2011) (FMCSA Doc. Attachment 2.2).
[51] *Id.*
[52] Committee staff analyzed the Federal Motor Carrier Safety Administration data for the largest moving companies with over 1,000 trucks. Committee staff found that the four companies investigated had three times the number of hostage household goods complaints and nearly twice as many complaints for issues related to estimates and final charges when compared to the largest national moving companies.
[53] The broker companies identified as being owned and operated by Aldo DiSorbo include Nationwide Relocation Services, United States Van Lines Relocation Division, All State Van Lines Relocation, American Van Lines, Inc. d/b/a American Van Lines of California, Colonial Van

Continued

investigation, Committee staff analyzed Mr. DiSorbo's broker companies as a single entity, and will be referred to in this report as the "DiSorbo Broker Companies." As a group, the DiSorbo Broker Companies had extremely elevated levels of consumer complaints about price increases and hostage situations, as seen in Figure II below.

Figure II – DiSorbo Broker Companies Complaints



Source: Committee Review of FMSCA Compliant Data from 1/1/06 – 10/1/11

In December 2011, Chairman Rockefeller wrote letters to request information from these companies to determine why their practices led to high levels of complaints with the FMSCA. The letters asked the companies to provide information and documents about the number of customer complaints they had received, their process for responding to customer complaints, their process for creating estimates, and the training materials they provide to their employees.

During this investigation, Committee staff has reviewed tens of thousands of pages of documents related to practices in the moving industry, including agreements between carriers and brokers, training and customer service manuals, estimates, and other documents provided directly to customers. Committee staff also reviewed thousands of documents related to consumer complaints and interviewed dozens of consumers who used the services of those companies investigated.

III. Internet Moving Brokers and Their Impact on Consumers

The consumer complaints reviewed by Committee staff and the records produced by the companies that received information requests from Chairman Rockefeller show a strikingly similar pattern. These materials show that the business practices that Budget Van Lines, the DiSorbo Broker Companies, and other moving brokers use to find customers, provide estimates, and arrange moves regularly mislead and confuse consumers. While policymakers and law enforcement officials have traditionally focused their consumer protection efforts on household goods carriers, the evidence reviewed during this investigation shows that specific types of moving brokers are responsible for many of the complaints that consumers have reported to FMCSA, BBB, or other consumer protection organizations in recent years.

A large number of consumer complaints about moving brokers that Committee staff reviewed during this investigation follow the same basic fact pattern:

- A consumer begins planning a move and goes online to shop for moving services. Through this Internet search, usually conducted via a search engine, the consumer identifies and contacts a moving broker. The broker often has a business name that is similar to a well-known, reputable brand name.
- Without conducting a visual inspection of the consumer's goods or disclosing to the consumer that it will not be performing the actual move, the broker gives the consumer an estimate price for the move, which is often described to the

Lines Relocation Division, and Patriot Van Lines. Mr. DiSorbo also owns and operates several companies licensed as carriers. The carriers identified are United States Van Lines, Inc., States Van Lines, B and E Movers d/b/a Moving Squad, Inc., We-Haul, Inc., and All Coast Transporters, Inc.

consumer as a "binding estimate." The broker's estimate is usually significantly lower than the price quoted by other moving companies.

- The consumer makes a payment to the broker that is described as a "deposit," but is actually a fee kept by the broker. The broker then turns over the consumer's move to a household goods carrier. Typically, the consumer is not made aware that a company other than the broker will be conducting their move.
- On moving day, a household goods carrier unknown to the consumer shows up to perform the move. During or after the loading of the goods, the carrier asks the consumer to sign new paperwork and claims that the broker's estimate was too low, sometimes by thousands of dollars. The consumer must decide whether to pay the new fees, or risk having the carrier hold the goods "hostage."

Because the moving brokers that employ these practices each rely heavily on the Internet to generate customer leads and find new customers, they are referenced throughout the remainder of the report as "Internet moving brokers."

A. Internet Searches Direct Consumers to Internet Moving Brokers

Consumers who have complained about the business practices of Internet moving brokers almost always report that they initially found the companies by entering general terms related to household moving into an Internet search engine. In spite of the many complaints consumers have lodged against them, some Internet moving brokers—in particular, the DiSorbo Broker Companies—continue to rank well in Internet search results, often landing on the first page of consumers' search results.

According to one of the leading "Search Engine Optimization" industry analysts, "the major engines typically interpret importance as popularity—the more popular a site, page or document, the more valuable the information contained therein must be."[54] Although each search engine uses proprietary technology to determine rankings, a core principle is that the more links to a website, particularly from other trusted websites or sources, the higher the ranking.

Websites operated by or on behalf of the DiSorbo Broker Companies use questionable website and linking strategies that appear to be intended to enhance the companies' search engine rankings. For example, Mr. DiSorbo operates *movingcost.com,* a company that purports to provide consumers information about "the most qualified and professional relocation experts in the industry."[55] The operators of this website have attempted to increase its popularity by embedding text that includes hyperlinks to *www.movingcost.com* in tens of thousands of other websites. In many instances, these linked websites are college newspapers and student organizations—like the Cornell Gymnastics Club and the Yale Democrats—or they are irrelevant link directories such as "Muscle-Body Links." While these links have little or no relevance to the content of the websites in which they are embedded, they help increase *movingcost.com's* popularity with search engines, making it more likely that consumers will find the page during an Internet search.

Once at the website, *www.movingcost.com* appears to be a legitimate tool for consumers to locate reputable moving companies. The homepage includes links to social media and a section on "Moving Tips." Upon closer review, however, the site is little more than a tool for DiSorbo Brokers Companies to attract Internet customers. The site's "Featured Movers"—Moving Squad, MBM Moving Systems, American Van Lines, and Nationwide Relocation Services—are all companies owned by Mr. DiSorbo or his family members.[56]

B. Consumer Confusion about Brokers' Role

Consumers frequently complained they were confused about the role that Internet moving brokers would play in their moves. Consumers expressed frustration that (1) they did not learn that a different company would actually be handling their move until the company arrived to pick up their household goods, and (2) the companies' names were confusing.

Committee staff spoke with dozens of former customers of Budget Van Lines and the Disorbo Broker Companies to better understand their experiences with the companies. During Committee staff interviews, former customers of each company repeatedly stated that they were not aware that they were hiring a broker, and that had they been made aware, they would have chosen to work with a carrier directly

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[54] SEOmoz, *The Beginners Guide to SEO,* at *http://www.seomoz.org/beginners-guide-to-seo* (last updated May 22, 2012).

[55] Movingcost.com, Homepage (online at *www.movingcost.com*) (last visited on Sep. 19, 2012).

[56] American Van Lines, Inc. is owned by Anthony DiSorbo. *See* Florida Department of State, Division of Corporations Record for American Van Lines, Inc. (Doc. No. P95000065434). The President of MBM Moving is Anna DiSorbo, MBM Moving Systems, Our Mission (online at *www.mbmmove.com/our__mission.php*) (last visited on Sep. 18, 2012).

instead. For the DiSorbo Broker Companies specifically, of the dozens of customers that Committee staff interviewed, more than 75 percent reported not being made aware that the company was a broker until a different company arrived to pick up their household goods.

Customers of both Budget Van Lines and the DiSorbo Broker Companies repeatedly expressed similar sentiments in complaints filed with the Better Business Bureau and the FMCSA.

- An American Van Lines of California customer from Arizona wrote in a complaint to the BBB that she "[w]as never told that they broker out their business, if I would've [sic] known, I NEVER would have gone with them."[57]
- A customer of Patriot Van Lines wrote, "[i]n our many conversations, he NEVER mentioned that PVL would not be the actual movers. I completed research on PVL to read reviews and check their BBB status. I had no idea there was another moving company involved until days before my furniture was to be picked up and therefore did not have an opportunity to research that company."[58]
- A California customer of Nationwide Relocation Services wrote, "I eventually found out that they were a brokerage service and was enraged, but at this point I had no choice."[59]
- Still another customer wrote, "I feel that [United States Van Lines] misrepresented their service, it was not clear from their website or speaking with their estimator that USVL was a broker and not actually the carrier."[60]
- In a complaint to the FMCSA, a Budget Van Lines customer wrote that she "was not informed by budget van line that another carrier would handle my household good[s]."[61]

Despite regulations that require brokers to disclose their status as brokers, customers repeatedly reported that they were not made aware that the companies they were dealing with were brokers and not carriers with the capability of conducting their moves.

Federal regulations mandate that "[a] broker shall not, directly or indirectly, represent its operations to be that of a carrier. Any advertising shall show the broker status of an operation."[62] The regulations provide specific direction for how a broker must notify customers of their broker status, stating:

> You must prominently display in your advertisements and Internet website(s) your status as a household goods broker and the statement that you will not transport an individual shipper's household goods, but that you will arrange for the transportation of the household goods by an FMCSA-authorized household goods motor carrier, whose charges will be determined by its published tariff.[63]

Despite federal regulations designed to prevent consumer confusion between brokers and carriers, consumers do not understand the distinction. Broker companies are advertising themselves and their services in ways that are confusing consumers.

1. Misleading Websites

Websites for the DiSorbo Broker Companies and Budget Van Lines often portray themselves as full service moving companies seeking to service a consumer's move from initial estimate to final delivery of goods. The websites of these companies often fail to clearly disclose the fact that the companies will likely never move a consumer's goods but instead act as a broker and contract with a carrier to complete the move.

In those cases where a website does use the word "broker," companies like Patriot Van Lines and Colonial Van Lines Relocation Division often did so in ways that could potentially be overlooked by consumers. Consumers are often required to

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[57] Better Business Bureau, Complaint, Case No. 8846810 (Dec. 22, 2011) (DiSorbo Doc. DBC 002078).

[58] Better Business Bureau, Complaint Activity Report, Case No. 90116133 (Sep. 1, 2011) (DiSorbo Doc. DBC 002493).

[59] Better Business Bureau, Complaint Activity Report, Case No. 90080915 (Jan. 4, 2011) (DiSorbo Doc. DBC 002304).

[60] Customer Complaint to Federal Motor Carrier Safety Administration (Feb. 1, 2011) (DiSorbo Doc. DMC 000337).

[61] Customer Complaint to Federal Motor Carrier Safety Administration (Dec. 7, 2009) (Budget Doc. Exhibit 5—000206).

[62] 49 C.F.R. § 371.7(b).

[63] 49 C.F.R. § 371.107(c).

check the fine print of a website instead of being told up front of the companies' role as a broker.

For example, on the website for Patriot Van Lines, the statement that the company is a broker is left off the front page and found elsewhere on the site, in the "About Us" section. The Patriot Van Lines website also includes the statement, "[o]ur commitment to sterling moving help has made us one of the nation's most reputable moving companies," in the same section.[64] While "moving company" is not a defined term, this term is generally associated with carriers, not brokers. Patriot Van Lines, which is one of the many DiSorbo Broker Companies, is registered with the FMCSA as a broker.

On Budget Van Lines' home page, the company's acknowledgement that it is a household goods broker is written in fine print underneath the prominently displayed company name. While at the same time the company more prominently advertises, "We provide our customers with Full Service Moving at Self-Service Rates."[65]

2. Company Names Lead to Confusion

AMSA has reported that one of the trademarks of a problematic moving company is that it uses names that are similar to well-known companies. A recent report written about the current state of the moving industry, states:

> . . . [R]ogue operators are unique, and they have benefitted from emergence of the Internet. Rogues prey on consumers who seek the lowest cost service. They often fail to register as required with the U.S. Department of Transportation and state departments of transportation. Their practices include using a name and mark similar to those of a reputable company, offering low-price services only to hold the consumer's goods captive until consumers pay a higher price, and changing the name of their business once consumer complaints result in a lowering of the company's rating with the Better Business Bureau.[66]

While the broker companies analyzed in this investigation are not considered to be "rogue" operators because they are registered and licensed with FMCSA, many of their marketing techniques appear to be very similar to those used to describe the activities of "rogue" operators. Both Budget Van Lines and many of the DiSorbo Broker Companies use names similar to well-known companies in the moving and transportation industry.

Repeatedly, consumers reported that they believed the brokers to be different well-known companies, and that is what caused them to choose the broker. For example, during one conversation with a customer of Budget Van Lines, the customer stated that she chose Budget Van Lines because they are a "recognizable name" and "you see the trucks everywhere," so she felt more comfortable using them than a "mom and pop" company.[67] Another customer reported that the sales person reinforced her assumption that they were a well-known company. She alleged that the sales person told her, "you know our big trucks that you see, well sometimes those have space so we are able to fill that space with your stuff."[68] She went on to say that she would have never used them had she understood that they were a broker, but instead would have called the carrier directly. The trucks with "Budget" on their paneling belong to Budget Truck Rental, LLC, a completely different company that is not affiliated with Budget Van Lines in any fashion. Budget Van Lines informed the Committee that it operates solely as a broker and not a motor carrier, and its registration with FMCSA is as a broker only and lists that Budget Van Lines owns no trucks.[69]

Similarly, customers of the DiSorbo Broker Companies reported that they too were led to believe that the companies were affiliated with more well-known companies. One customer of United States Van Lines reported that throughout the estimate process the estimator continually referred to the company as "United Van

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[64] Patriot Van Lines, About Us (online at *http://patriotvanlines.com/about*) (last visited Aug. 28, 2012).

[65] Budget Van Lines, Homepage (online at *www.budgetvanlines.com*) at 70 (last visited Sep. 19, 2012).

[66] *The Moving and Storage Industry in the U.S. Economy: Overcoming the Challenges of the Great Recession,* Robert Damuth, Economist and Principal Consultant, Nathan Associates Inc. (Apr. 5, 2012) (online at *http://www.promover.org/files/msi/msi_report.pdf*).

[67] Committee staff interview with Budget Van Lines customer (Mar. 8, 2012).

[68] Committee staff interview with Budget Van Lines customer (Mar. 15, 2012).

[69] Federal Motor Carrier Safety Administration, Company Snapshot for Budget Van Lines (accessed Sep. 19, 2012); Letter from Jason M. Romrell, President and Chief Legal Officer, Budget Van Lines, to Chairman John D. Rockefeller IV (Jan. 27, 2012).

Lines." He believed that he was dealing with United Van Lines and that, coupled with the fact that they had the lowest estimate, is why he chose them.[70]

This confusion on the part of the consumer is not unknown to the companies. In a note provided by Budget Van Lines, a Budget Van Lines representative wrote, "she though[t] we were affiliated with Budget Truck Rental . . . Hmmmmm."[71] In another note, a Budget Van Lines representative reported being yelled at by a customer who told him that "she was mislead [sic] not knowing we were a broker and we should'nt [sic] be using the name budget. . ."[72]

3. Use of Multiple Companies and Frequent Name Changes

Mr. DiSorbo owns and operates several different companies, both brokers and carriers, under different names. Committee staff has seen evidence that suggests all of his broker companies are run out of the same office in Florida, despite having different addresses listed on the websites and with the FMCSA. For example, Colonial Van Lines Relocation Division is registered with FMCSA as being located in Indianapolis, Indiana.[73] However, the website lists the same address in Margate, Florida, that Mr. DiSorbo uses to run several other brokerage companies.[74] Similarly, American Van Lines Relocation Division lists a San Francisco, California address with FMCSA, but the Margate, Florida address on its website.[75] Patriot Van Lines lists a Richmond, Virginia address with FMCSA, but the Margate, Florida address on the company's filing with the Florida Secretary of State.[76]

In addition to operating several companies that all offer the same services, these companies change names often. For example:

- On January 20, 2012, Brown Van Lines changed its name to Colonial Van Lines. This name change was accompanied by a letter from Aldo DiSorbo's Executive Assistant acknowledging that Brown Van Lines, Inc., Colonial Van Lines, Inc., Colonial Van Lines, LLC, and Colonial Van Lines Relocation Division, Inc. are all owned by the same incorporators.[77]
- On January 14, 2000, Mr. DiSorbo incorporated Moving Cost, Inc. On September 16, 2009, the name was changed to United States Van Lines Relocation Division, Inc. On July 20, 2012, the name was changed to All State Van Lines Relocation, Inc.[78]
- On August 7, 2012, United States Van Lines changed its name to States Van Lines.[79]
- On November 14, 2002, Mr. DiSorbo incorporated GG Moving, Inc. On December 5, 2002, the name was changed to Golden Gloves Moving and Storage, Inc. On April 9, 2010, the name was changed to Champion Moving and Storage. Finally, on May 28, 2010, the name was changed to Moving Squad Inc. of Fort Lauderdale.[80]
- On February 24, 2005, We Haul Moving Inc., changed its name to WeHaul International, Inc. On May 3, 2011, WeHaul International, Inc. changed its name to Patriot Van Lines, Inc.[81]

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[70] Committee staff interview with United States Van Lines Customer (Mar. 6, 2012).

[71] Budget Van Lines Representative Notes, Job No. 938325 (Nov. 9, 2011) (Budget Doc. Exhibit 3–B 330623).

[72] Budget Van Lines Representative Notes, Job No. 899649 (Aug. 18, 2011) (Budget Doc. Exhibit 3–B 282564).

[73] Federal Motor Carrier Safety Administration, Licensing and Insurance Information for Colonial Van Lines Relocation Division (accessed Sep. 11, 2012).

[74] Colonial Van Lines Relocation Division, Homepage (online at *www.colonialvanlinesrelo.com*) (last visited Aug. 29, 2012).

[75] Federal Motor Carrier Safety Administration, Licensing and Insurance Information for American Van Lines Relocation Division, Inc. (accessed Sep. 11, 2012); American Van Lines Relocation Division Homepage (last visited on Sep. 11, 2012) (online at *www.americanvanlinesrelo.com*).

[76] Federal Motor Carrier Safety Administration, Licensing and Insurance Information for Patriot Van Lines (accessed Sep. 11, 2012); Florida Department of State, Division of Corporations Record for Patriot Van Lines, Inc. (Doc. No. P02000042793).

[77] Florida Department of State, Division of Corporations Record for Colonial Van Lines, Inc. (Doc. No. P03000044519).

[78] Florida Department of State, Division of Corporations Record for All State Van Lines Relocation, Inc. (Doc. No. P00000005128).

[79] Florida Department of State, Division of Corporations Record for States Van Lines, Inc. (Doc. No. P03000045335).

[80] Florida Department of State, Division of Corporations Record for Moving Squad Inc. of Fort Lauderdale (Doc. No. P02000121957).

[81] Florida Department of State, Division of Corporations Record for Patriot Van Lines, Inc. (Doc. No. P02000042793).

Customers appear to be unaware of the relationships between the various companies, and the DiSorbo companies appear to make efforts to conceal these relationships. In several examples provided to the Committee, in moves where a DiSorbo Broker Company brokers the job to a carrier also owned by DiSorbo, the companies' responses to consumers who have complained attempt to disguise the relationship. For example, a customer who moved from Colorado to Texas complained to FMCSA that she received a binding estimate from American Van Lines of California for $2,290.60.[82] When the carrier, Moving Squad, arrived to deliver her goods, he was provided a new price of $3,311.75.[83] In Moving Squad's response to FMCSA it wrote:

> Our company was contracted to provide coordinated relocation services to [customer] for her move from Colorado to Texas. . . . [Customer]'s estimate was prepared by American Van Lines of California; a moving broker.[84]

Both American Van Lines of California and Moving Squad are owned and operated by Aldo DiSorbo, yet this fact was apparently not disclosed to the customer.

C. Broker "Deposits" and Fees

Both Budget Van Lines and the DiSorbo Broker Companies collect a deposit at the time of arranging the move. These deposits are collected up front, prior to performing any moving services. These "deposits" are actually the fee that the consumer pays to the broker for its services. According to AMSA:

> Professional movers generally don't require a deposit before moving you, and if they do it is generally just a small "good faith" deposit. However, some scam movers or Internet brokers frequently require a large deposit. So, if a mover you are considering requires you to pay a big deposit to "hold your dates" or to insure "prompt service" you may want to choose another mover.[85]

Committee staff found examples of "deposits" paid to broker companies that were well over a thousand dollars. These "deposits," which were nothing more than fees that went directly to the brokers, were not shared with carriers. Consequently, before any of the consumers' items had been picked up, they had often paid hundreds—sometimes thousands—of dollars to an Internet moving broker. These substantial fees likely contribute to the price increases during the move process, which are discussed further below, as the amount of money left over for the carrier is likely not enough for the expense of the move.

Budget Van Lines charges each customer a booking fee, the amount of which is up to the discretion of the Budget employee arranging the move. In training materials provided to its employees, Budget Van Lines defines a booking fee as:

> [O]ur fee which we charge the customer as a broker for using our service. The booking fee is in addition to the percentage charge (our cut) for the total job. . .Note, as a sales person you are able to increase this fee if the customer is willing to pay it but it should never be below $195."[86]

In addition to the booking fee, Budget Van Lines collects 25 percent of the initial estimated price as a "deposit." Budget Van Lines explained to the Committee that it "charges customers who sign estimates and book moves a 'booking fee,' separately itemized on the estimate, and a deposit for the transportation services as quoted in the estimate. This deposit is equal to the broker fee or commission."[87] The payment for this charge is collected at the time of booking. The remainder of the estimate is due to the carrier at the time of delivery.

The DiSorbo Broker Companies also charge a sizeable "deposit" at the time of booking.[88] The DiSorbo Broker Companies call these initial payments "deposits," but none of the money actually goes to the carrier as a deposit on the move. This deposit is collected by the DiSorbo Broker Companies as their fee for performing the services of providing an estimate and attempting to locate a carrier. The DiSorbo compa-

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[82] Customer Complaint to Federal Motor Carrier Safety Administration, Complaint No. 100048054 (Apr. 12, 2011) (DiSorbo Doc. DMC 000279–000280).

[83] *Id.*

[84] Response from Moving Squad to Federal Motor Carrier Safety Administration (DiSorbo Doc. DMC 000281).

[85] American Moving and Storage Association, *Make a Smart Move, Consumer Handbook: A Practical Guide to Interstate Moving* (2007) at 5 (online at *www.moving.org*) (emphasis omitted).

[86] Budget Van Lines, *Estimate Guidelines,* Version 4.0 (Oct. 31, 2011) (Budget Doc. Exhibit 4—000072).

[87] Letter from Jason M. Romrell, President and Chief Legal Officer, Budget Van Lines, to Chairman John D. Rockefeller IV (Jan. 27, 2012).

[88] Exhibit I includes examples of deposits paid by customers to several DiSorbo Broker Companies.

nies explained that "the deposit fees paid to the broker to secure the move is the only portion of the total customer payments that the broker companies receive. All charges and monies paid for the move after the deposits are received by the moving company."[89]

In addition, the DiSorbo Broker Companies have what they call a "Quality Assurance Department" that contacts customers a few days prior to the move. Many former customers have complained that, at this point in the process, the cost of their move is increased and an additional deposit is due to the broker. DiSorbo Broker Companies described the Quality Assurance process, stating:

> Approximately 5 to 7 days before the move, the DiSorbo Broker Companies' Quality Assurance Department calls and emails the customer to again confirm the customer's property list, the move dates, and to review the estimate with the customer for accuracy. The DiSorbo Broker Companies take this extra step to alleviate any potential confusion on the customers' end that may result from the customer receiving multiple estimates, which occurs when a customer changes their move plans after the initial estimate.[90]

Former customers describe the Quality Assurance process differently. Customers routinely complained that, at this point in the move, a new, much higher estimate is generated, resulting in the requirement of an additional "deposit" for the shipper to pay.

This quality assurance process causes two problems for shippers. First, shippers are contributing more money to what they believe to be a "deposit," when it is in fact nothing more than additional broker fees. Second, these calls too often occur once it is too late for the shipper to cancel and be refunded the original deposit paid. Therefore, the shipper has a choice to either accept the new estimate and pay the additional deposit or cancel and forfeit the money already paid.[91]

D. Price Increases

Committee staff found abundant evidence showing that consumers who used Internet moving brokers for their moves repeatedly faced price increases after carriers arrived at their residence or after their belongings were loaded onto carriers' trucks. These price increases were often dramatic. Numerous examples in documents provided to the Committee showed increases over $3,000, and they happened even though the consumer had received a "binding estimate" from the Internet moving broker.

However, when Chairman Rockefeller asked Internet moving brokers for information about price increases, the companies claimed they had none. Both Budget Van Lines and the various companies owned by Mr. DiSorbo responded that they do not keep track of what happens to the price once the move is transferred to a carrier. Budget Van Lines responded:

> Budget Van Lines conducted no interstate moves; it operates solely as a broker, not a motor carrier. It has no data available in its files that would allow it to calculate the number of interstate moves it arranged that resulted in price changes to the original estimates. The underlying motor carriers do not normally inform Budget Van Lines when the prices or freight charges listed in the original estimates are subsequently adjusted.[92]

Similarly, the DiSorbo Broker Companies responded that "[t]he fact that the DiSorbo Broker Companies do not link their fees to the moving companies' final cost means that the DiSorbo Broker Companies are not given comprehensive records of price variations between the initial estimate and the final move price."[93]

Because neither of the broker companies could answer the question of how often the cost of their customers' moves increases after carriers arrive, Committee staff found alternative methods to determine what was happening to the price once the moves were transferred from Internet moving brokers to carriers.

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[89] DiSorbo Broker Companies response to Chairman John D. Rockefeller IV Dec. 19, 2011 letter (Jan. 27, 2012).

[90] *Id.*

[91] The DiSorbo Broker Companies will not refund any deposits paid unless notice is received "at least 5 business days (Saturdays, Sundays and Holidays not included) prior to the pack or load date." Copy of United States Van Lines Relocation Division estimate (DiSorbo Doc. DBC 004581).

[92] Letter from Jason M. Romrell, President and Chief Legal Officer, Budget Van Lines, to Chairman John D. Rockefeller IV (Jan. 27, 2012).

[93] DiSorbo Broker Companies response to Chairman John D. Rockefeller IV Dec. 19, 2011 letter (Jan. 27, 2012).

Bills of Lading

Committee staff reviewed over 1,000 customer files produced by Able Moving and Best Price Moving and Storage. The customer files contained bills of lading, which showed shippers' original estimates and the price they actually paid for the moves. The majority of the estimates for these moves appeared to be performed by Internet moving brokers and a significant percentage of the estimates were "binding estimates." In 90 percent of the moves, the bills of lading showed that the shippers experienced a price increase. In 35 percent of the moves, shippers experienced a price increase greater than $500 and in 15 percent of the moves consumers experienced a price increase greater than $1,000.

Company Logs

The Internet broker companies informed the Committee that there are two instances in which a broker could become aware of price changes after the carrier arrived: (1) if a customer complains directly to the broker about a change in the price or to another agency that is then forwarded to the broker for a response, or (2) if a carrier alerts them to the price increase.[94] Both of these scenarios are generally recorded by the companies in notes that accompany each customer file. Committee staff reviewed thousands of pages of documents that included these notes. This review showed that a large number of customers are calling the broker companies to complain about price increases.

Budget Van Lines provided copies of estimates that included employee notes about activity on the file. In 2011, at a minimum, at least 1,400 customers contacted Budget Van Lines to complain about an increase in the cost above the estimate or to question additional charges being added by the carrier.[95] This equates to approximately four customer calls each day about price increases. Examples from the call log notes include:

- "Customer wife called stated that weight is over by 10,000 pounds and is gonna cost another 6,000 dollars . . ."[96]
- "Cust upset that he came in over weight . . . says our system was off [b]y 20 percent doesn't feel like he should have to pay for that weight . . . advise cust system not perfect but he is responsible for additional weight and he must pay carrier."[97]

The DiSorbo Broker Companies provided the Committee with a smaller sampling of similar notes, yet they too showed frequent calls from customers about price increases. The notes reviewed were representative of approximately 484 completed moves. The call logs showed that almost 25 percent of those customers called to complain about an increase in the price of their moves once the carriers arrived.

Customer Interviews

Throughout the investigation, Committee staff interviewed dozens of consumers who had used the services of the companies from whom Chairman Rockefeller had requested information.[98] In interviews with dozens of customers of Budget Van Lines and the DiSorbo Broker Companies, all but four reported that the price increased at some point after the carrier arrived for pick-up.[99]

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[94] DiSorbo Broker Companies response to Chairman John D. Rockefeller IV Dec. 19, 2011 letter (Jan. 27, 2012); Letter from Jason M. Romrell, President and Chief Legal Officer, Budget Van Lines, to Chairman John D. Rockefeller IV (Jan. 27, 2012).

[95] The calculation of 1,400 customer contacts likely underrepresents the total number of calls that Budget Van Lines received about price increases or to question additional charges in 2011. The call logs are maintained by Budget Van Lines employees; accuracy depends upon the specific employee who is handling the call and requires that the employee make a note in the file that the customer called as well as the reason for the call.

[96] Budget Van Lines Ticket Log (Job #884608) (Aug. 8, 2011) (Budget Doc. Exhibit 3–B 270920).

[97] Budget Van Lines Ticket Log (Job #885329) (Aug. 4, 2011) (Budget Doc. Exhibit 3–B 271523).

[98] Committee staff called hundreds of customers of the four companies investigated. The customers contacted were selected from the customer files provided by the companies without regard for whether it appeared that the customers had encountered a price increase. As discussed earlier in Section C, the information provided by Budget Van Lines and the DiSorbo Broker Companies gave no indication whether the customer experienced a price increase.

[99] Of the four that did not report a price increase, one customer cancelled the move prior to pick-up, forfeiting the deposit paid after reading negative reviews online. One customer reported that no carrier ever showed up to pick up his goods, so his deposit money was returned. Two customers had estimates that were based upon a minimum weight. The consumers who alleged

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Customers of the moving carriers also reported increases in price. Able Moving did not arrange any interstate moves directly during the time period examined by the Committee. All of Able Moving's interstate moves were arranged by a broker.[100] Every customer of Able Moving that Committee staff interviewed reported having the price increased by Able Moving.

Unlike Able Moving, Best Price Moving and Storage arranges some interstate moves directly and also receives some from brokers.[101] Several customers of Best Price Moving and Storage reported that the price either did not increase or did not increase significantly. These customers reported that they did not use the services of an Internet-based broker, but rather worked directly with Best Price Moving and Storage.

Best Price Moving and Storage was unable to recreate complete moving files for the Committee that included whether each move was arranged by Best Price directly or through a broker. However, based upon customers' best recollections of which company arranged their moves, it appears that those customers who worked directly with Best Price Moving and Storage reported having a better experience and less often reported price increases than those customers who arranged the move through a broker who then transferred the move to Best Price Moving and Storage.

E. Hostage Situations

Price increases that occur late in the moving process, especially after pick-up has occurred, force consumers to make difficult decisions. Consumers can either agree to pay the inflated fees, whether they are justified or not, or refuse and face the possibility that the carriers will not return their household goods and hold their goods "hostage."

Committee staff obtained numerous examples of consumers who faced hostage situations due to price increases late in the process. In one example, a Budget Van Lines customer from Missouri complained that she had a non-binding estimate from Budget Van Lines for $1,799 to move her mother's furniture. However, "when they arrived they demanded more than twice the agreed upon price. When she did not have it they drove off with her furniture and [she] was not informed who had the items until 5 months later when they demanded three times the agreed upon price."[102] Budget's documents showed that the customer's original estimate was for 3,150 pounds, and the carrier alleged that she actually had 5,920 pounds.[103]

Another customer hired American Van Lines of California for a move from Missouri to New York. American Van Lines of California then brokered the move to Able Moving, Inc. The customer was provided an estimate of $1,346.67 to move 2,000 pounds. The customer paid a deposit of $560.66 to American Van Lines of California, leaving a balance of $786.01 due upon delivery. Two days after pick-up, "a representative from [American Van Lines] left a message on [his] cellphone stating that [the] total for the move was $1,400.40 . . . When we reached the carrier the next morning, they claimed that our shipment was 800 pounds overweight (despite our having given them less to move than on the original agreement with AVL)."[104] After Able Moving arrived for delivery, they refused to deliver the customer's belongings unless he paid the additional money. The customer stated:

> . . . When we couldn't immediately pay them the additional $614.39, they said they were going to put our possessions in storage, and that we'd have to pay them $350 (then $325, then $250, then $350 again) to release it, and that we'd have to arrange to move it ourselves because they would not redeliver.[105]

As of the date of the complaint, the customer had still not received their goods.

In these situations, the absolute worst case scenario is when the shippers are unable to acquire the necessary funds to get their possessions back, and the carrier resorts to auctioning them off. In one example, a Budget Van Lines customer from Idaho complained to the FMCSA, stating:

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that they had a minimum weight requirement reported moving far less weight than the minimum but still paid for the minimum weight.

[100] Letter from Rory K. McGinty, Counsel to Able Moving, Inc., to Chairman John D. Rockefeller IV (Feb. 3, 2012).

[101] Letter from Elliot S. Berke, Counsel to Best Price Moving and Storage, Inc., to Chairman John D. Rockefeller IV (Jan. 26, 2012).

[102] Better Business Bureau Complaint (Apr. 19, 2010) (Budget Doc. Exhibit 2–h 000053).

[103] Budget Van Lines Binding Estimate (Dec. 12, 2010) (Budget Doc. Exhibit 2–h 000054).

[104] Customer Complaint to Federal Motor Carrier Safety Administration, Complaint No. 100037676 (Nov. 7, 2009) (produced by Able Moving without Bates Number).

[105] *Id.*

> Budget Van Lines brokered Executive Relocation. Executive Relocation is holding my, and my 3 year old's personal effects hostage. Our estimate from Budget was $1400, now Budget Van Lines and Executive Relocation want $9400. Neither Budget, nor Executive Relocation will provide me with any disclosures or documents as to how they went from a quote of $1400 to now $9400—I have requested this paperwork in writing to them, twice and there is no response from either company. Executive Relocation is telling me that if we do not pay them this $9400 that in 90 days they will SELL ALL OF OUR BELONGINGS! Please help??[106]

Documents show that the original binding estimate provided by Budget Van Lines was for $1,399 to move 1,000 pounds.[107] The customer paid $571 to Budget Van Lines as a deposit. At pick-up, the customer paid an additional $414. Once the carrier had picked up her belongings, she was informed that the carrier was charging her for 7,020 pounds, instead of the 1,000 pounds that Budget Van Lines had estimated.[108] The customer was unable to come up with the increased fees at delivery, so her belongings were placed in storage. The call logs provide that "all [customer] has is $2200, may be able to get up to $2400 and that's all she has to work with."[109] The carrier refused to deliver for $2400, requiring at least $3,000 to deliver. After many months of negotiating, a Budget Van Lines representative wrote, "this is between customer and carrier, customer has paid nothing to date with the exception of pick up amount, that is it since December, nothing more we can do, closed."[110] It is unclear from the documents whether this customer ever received her household goods.

Similarly, a Nationwide Relocation Services customer moving from Colorado to Florida spent nearly five months negotiating with the carrier to deliver. The customer was given an original binding estimate for $3,332.85. She paid an initial deposit of $1,585.73, leaving a balance of $1,747.12.[111] After pick-up, the carrier advised that the "final weight of her goods was an additional 2,035 pounds above the original estimate."[112] The customer was also charged for $1,220 worth of additional packing services, increasing the amount due at delivery by $1,877.52.[113] The customer objected to this increase and alleged that the carrier made her sign blank documents. The customer was unable to pay the increased fees, and the carrier placed her goods in storage.

After several months of unsuccessful negotiations, on March 9, 2011, the carrier sent the customer an auction notice.[114] After many more months of haggling with the carrier and Nationwide Relocation Services, the carrier agreed to deliver her goods for $2,500. The customer's goods were finally delivered on June 4, 2011.[115] However, the customer alleged that the carrier demanded an additional $500 at the time of delivery.[116]

More often than not, based upon the information reviewed by the Committee and the interviews Committee staff conducted, consumers will pay the price increases, rather than face a hostage situation. As one customer explained, "[t]he carrier refused to unload belongings unless I paid, but did not hold the belongings for more than one day, as I paid the balance."[117] The customer reported paying "roughly $825 more than the original estimate."[118]

IV. Examples of Moves Booked By Internet Moving Brokers

Through the investigation, Committee staff accumulated hundreds of examples from consumers that demonstrated the flaws and dangers in the business practices used by Internet moving brokers. The following are a few of those examples. Each

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[106] Consumer Complaint to Federal Motor Carrier Safety Administration, National Consumer Complaint Database (Jan. 20, 2011) (Budget Doc. Exhibit 5 000696).
[107] Budget Van Lines Binding Estimate (Nov. 13, 2010) (Budget Doc. Exhibit 5 000698).
[108] Budget Van Lines Agent Log (Feb. 7, 2011) (Budget Doc. Exhibit 5 000706).
[109] Budget Van Lines Agent Log (Feb. 9, 2011) (Budget Doc. Exhibit 5 000706).
[110] Budget Van Lines Agent Log (May 13, 2011) (Budget Doc. Exhibit 5 000700).
[111] Nationwide Relocation Services Estimate for Service for Job No. 6376147–01–R1 (Jan. 14, 2011) (DiSorbo Doc. DBC 002370–002374).
[112] Nationwide Relocation Services response to Florida Department of Agriculture and Consumer Services (Mar. 8, 2011) (DiSorbo Doc. DBC 002376).
[113] Nationwide Relocation Services Customer Logs (Jan. 17, 2011) (DiSorbo Doc. DBC 002394).
[114] Nationwide Relocation Services Customer Logs (Mar. 9, 2011) (DiSorbo Doc. DBC 002388).
[115] Nationwide Relocation Services Customer Logs (June 4, 2011) (DiSorbo Doc. DBC 002381).
[116] Nationwide Relocation Services Customer Logs (June 6, 2011) (DiSorbo Doc. DBC 002381).
[117] Customer Complaint to Federal Motor Carrier Safety Administration (June 1, 2009) (Budget Doc. Exhibit 5 000135).
[118] Customer Complaint to Federal Motor Carrier Safety Administration (June 1, 2009) (Budget Doc. Exhibit 5 000136).

example illustrates the experiences of shippers who had relied upon Internet moving brokers and their interstate moving partners for their interstate moves. For each of these consumer stories, there are very likely thousands that are similar to them. Committee staff made dozens of calls at random to the companies' former customers and heard similar stories frequently.

Joyce Gonzalez—Miami, Florida.[119] To plan for her move from Detroit, Michigan, to Florida, Ms. Gonzalez selected Budget Van Lines after searching online for a good deal. She was quoted a price of $900 plus a $250 booking fee. She paid $475 as a deposit. She was unaware that Budget Van Lines was a broker. A few days past her original scheduled moving date, a single mover arrived and loaded her belongings into a Uhaul truck; he told her that there was an issue with the truck and that her belongings would be reloaded into a larger truck later.

On the day of delivery, Ms. Gonzalez received a phone call from the movers stating that they were around the corner and would need almost $1,700 in cash. When she questioned the price increase, the movers stated that it was due to the increased weight of her move. It was only at this point that Ms. Gonzalez learned that Able Moving, Inc. was her carrier, not Budget Van Lines. When she indicated that she did not have the cash, they left with all of her property.

She was told that her belongings would be placed in storage and that until she wired the $1,691 balance, she could neither learn the location of her property nor retrieve it; once she paid this amount, she would receive the key in the mail and learn the location of her belongings. When Ms. Gonzalez asked Able Movers to meet her at a weigh station to understand the price increase, she was told that she must first wire the remaining balance. At one point, Ms. Gonzalez said the movers threatened to take her belongings to Chicago and charge her $4,000 to have it shipped back to Florida.

Ms. Gonzalez repeatedly attempted to contact Budget Van Lines and Able Moving and locate her belongings. At each point, she was told that she must first wire $1,691 to Able Moving before she could learn where her property was being held. Months after her items were taken, Ms. Gonzalez received a call from a local storage company near Lake Wales, Florida. She was told that her belongings had been sold at auction, but the company would hold her personal papers—such as financial documents—until she could retrieve them. Unfortunately, she was unable to ever get what remained of her belongings.

According to Ms. Gonzalez, she lost everything—including family photos and all of her children's belongings. She also learned that Able Moving had continued to seek a wire transfer for $1,691 even *after* her property had been sold at auction. Ms. Gonzalez said, "They are just trying to rip people off that don't have it."

Katie Blick White—San Diego, California.[120] Mrs. White attempted to find a local moving company to handle her family's move from Wichita, Kansas, but none could handle a move to California. She then began searching for a national company online, and ultimately selected United States Van Lines because it provided the lowest quote and the estimator made her feel comfortable. The estimator repeatedly told her that "he was a professional" and that "he always over-estimates the price so in the end you'll pay less." Mrs. White signed a contract with the company dated December 24, 2010, which gave a $2,578.41 estimate for moving an estimated weight of 4,032 pounds; she requested a move date of January 15 or 16 and paid $810.59 as a deposit.

On the afternoon of January 11, 2011, Mrs. White returned a call to the Quality Assurance department to review the inventory list again. She was told at this point that United States Van Lines had "drastically underestimated" her box count; the new estimated charges were increased to approximately $4,900 to cover 6,692 pounds. Mrs. White allowed them to charge an additional $1,486.14 for her deposit. After discussing it further with her husband, later that evening Mrs. White emailed the company and indicated that she would not be signing the new paperwork, that she would like to cancel the move, and that she was within the five-day window to do so and expected a full refund.

On January 12, 2011, United States Van Lines contacted her and, after several discussions, provided a new estimate of $3,539.32. Mrs. White said, "I called QA [Quality Assurance] supervisor [at United States Van Lines] back and told her that we would move with the $3,539 seeing as it was our last resort since we were sched-

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[119] Committee staff interview with Joyce Gonzales (Sept. 4, 2012); Joyce Gonzales Complaint to Federal Motor Carrier Safety Administration (Mar. 8, 2011) (Budget Doc. Exhibit 5—000903–000904).

[120] Committee staff interview with Katie Blick White (Feb. 24, 2012); E-mail from Katie Blick White to Committee Staff (Feb. 24, 2012); United States Van Lines Relocation Division Estimate (Dec. 24, 2010) (DiSorbo Doc. DBC 001398–001406).

uled to move 3 days later. She sent me to another dept to give yet another deposit, and told me that the previous 2 deposits would be credited back to my card." Mrs. White received a $1,155.50 refund to account for her adjusted revised estimate.

On January 15, 2011, movers from Sirena Moving arrived and determined that the weight of the household goods was 3,048 pounds more than the revised estimated weight. Ultimately, Mrs. White's move cost $5,039.68—approximately $1,500 more than her revised estimate from three days earlier.

Holly Root—Middleburg, Florida.[121] In October 2011, Holly Root contacted Budget Van Lines to move her possessions from two storage lockers in Minnesota to her home in Florida. At the time of the call, Ms. Root was given a quote of $3,500 for 7,000 pounds, with a rate of 39 cents per pound for any amount over the initial weight. In order to secure the move date, she paid a deposit of $1,108.25 to Budget. On the day of her move, Ms. Root met the movers at her storage lockers in Minnesota and they loaded all of her possessions onto the moving trucks. Once they had finished, she said:

> The storage business was now closed and the storage units I had were now locked up with the storage units [sic] locks. Then one of the movers said "this is way more than 7000 pounds." Then he approached me with a contract he just wrote up for his company, including Budgets [sic] prices. I could hardly read it. It was dark by this time, I told him it was hard to see in the dark!

At this point, she was presented with a new contract from Moving Central—a company she had previously never heard of—for $8,649, more than double the original quote. When Ms. Root asked what would happen if she did not sign the new contract, the movers said "we will unload everything right here." Ms. Root called Budget multiple times but received no assistance. At that point, Ms. Root signed the contract with Moving Central and used her credit card to pay an additional $4,000 deposit with $3032.63 due upon delivery.

Ms. Root continued to call Budget to complain about the additional charges and her experience. She said:

> I would continue to call and call Budget and they said we'll have to call the carrier, they would put me on hold, sometimes for long periods of time or even disconnect me or give me the run around the [sic] with the same responses, I would ask to speak to a Manager and they would tell me they are in a meeting, then either put me on hold again, hang up and I never got any calls returned. They acted like nothing [was] wrong, it was me. They acted as if they were not even hearing me.

Despite numerous calls to both Budget and Moving Central, weeks and months went by without delivery of Ms. Root's possessions. "Neither company would take responsibility as they held my property hostage." Moving Central began to threaten to sell Ms. Root's possession at auction if she did not pay the additional amount. Ultimately, Ms. Root was able to negotiate with Moving Central and have her items delivered, although some items are still missing.

Mark and Julie Malenda—Erie, Pennsylvania.[122] In November 2011, after searching online for a moving company, Mrs. Malenda worked with United States Van Lines Relocation Division to arrange the family's move from Nevada to Pennsylvania. She spent a considerable amount of time on the phone with the company providing a detailed inventory of items to be moved. Ultimately, Mr. Malenda signed a contract to move approximately 230 items with an estimated weight of 11,182 pounds on November 17 or 18; he was told this was a binding estimate not to exceed the price.

On November 19, American Van Lines arrived and told Mrs. Malenda that the weight would likely be over the estimated weight. According to Mrs. Malenda, the movers "had me sign an invoice which I did because he refused to load our belongings so we would lose our deposit and have to find a new mover one day later than we were supposed to be moved in the first place." Over the course of several days and through multiple phone calls, Mrs. Malenda was informed that the weight was more than 2,400 pounds over the original estimate and that she owed approximately $4,800. Mrs. Malenda informed United States Van Lines Relocation Division that

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[121] Committee staff telephone interview with Holly Root (Jan. 31, 2012); E-mail from Holly Root to Committee staff (Feb. 8, 2012); Budget Van Lines Estimate and Customer Call Log (Budget Doc. Exhibit 3–B 326670–326713); Holly Root Complaint to Better Business Bureau (Dec. 30, 2011) (Budget Doc. Exhibit 2-h 000426–432).

[122] Committee staff telephone interview with Mark Malenda (Aug. 10, 2012); Better Business Bureau, Complaint Activity Report, Case No. 90127175 (Nov. 28, 2011) (DiSorbo Doc. DBC 002716–002718).

she only had $3,600. The company said it would reduce her bill by $400 if it received the remaining balance by the following day, otherwise "they would put our belongings in storage and give us the address and keys when we could pay the full amount plus the storage fees." After numerous unsuccessful calls with the company, Mrs. Malenda ultimately paid $4,000 to receive her family's belongings—which included the remains of her youngest son. According to Mrs. Malenda:

> This company is not interested in providing any of the customer service they promised when we chose them. We were led to believe they were their own company only to find out through this fiasco that they are a brokerage firm. The actual company that has our things on it's [sic] van is American Van Lines.

United States Van Lines Relocation Division's response to the BBB provided that "Mrs. Malenda was informed in writing of [their] role pertaining to her move." But it is not clear whether she was ever made aware that the company who was holding her belongings was owned by the brother of Aldo DiSorbo, the owner of United States Van Lines Relocation Division.

Alan Vangen—Rio, Wisconsin.[123] In preparation for his family's move, Mr. Vangen obtained bids from four companies, and United States Van Lines was the lowest bid. On February 16, 2011, he was given a $5,482.39 binding estimate, not to exceed the price, to move 233 items weighing 13,289 pounds. Mr. Vangen paid a $2,335.94 deposit on his credit card. On March 11, 2011, a representative of United States Van Lines contacted Mr. Vangen to review his inventory; Mr. Vangen added two items to the move—a stroller and a plastic highchair—and counted the total number of boxes to be moved, which was still significantly less than the total on the original estimate. Yet these changes resulted in an increased estimate amount of $6,095.89 to move 257 items weighing 13,892 pounds, resulting in $406.78 in additional charges on his credit card. He owed $3,353.17 when his items arrived. According to Mr. Vangen:

> This didn't make a lot of sense with adding two small items, and still being under their initial estimate in total boxes—they raised the price. From what I understand now, but they never told me. Once you change any part of the initial order the "binding estimate not to exceed price" vanishes and you will now have to pay full tariff rates. Not one word was said about this.

When Mr. Vangen arrived in Wisconsin with his family on March 17, United States Van Lines informed him that he would have to pay the movers, Roma Movers, $4,424.75 in cash instead of the original $3,353.17. He was told that if he did not pay this amount, all of his belongings would be placed in storage. However, Mr. Vangen had only arranged to have $3,400 available based on his estimate. "The drivers were steadfast and refused to due [sic] anything until I gave them the additional $1024.75 in cash. I had no choice, so the bank after hearing my situation agreed to cash a personal check for cash so I could give it to the drivers." Ultimately, Mr. Vangen paid $7,166.97 for the move instead of the original $5,482.39 estimate. According to Mr. Vangen, "What is the point of a contract or estimate if they are going to miss it by so much or not abide by it at all?"

Adam Martin—Phoenix, Arizona.[124] On June 1, 2012, Mr. Martin obtained a $2,856 binding estimate from Budget Van Lines to move his belongings from Fort Wayne, Indiana to Phoenix, Arizona, and paid a $714 deposit to schedule the move. In addition, he was charged a $278 booking fee by Budget Van Lines. Mr. Martin requested a pickup date of June 8 or 9. Mr. Martin paid $1,070 at the time of pickup, and per the agreement the remaining $1,072 balance was due in full at the time of the delivery.

On June 11, Mr. Martin's carrier, Moving Central, Inc., arrived and determined that the estimated cost of the move would be $6,159.10. Once the carrier had loaded all of his belongings onto the truck he was told that he had more items than were listed on the inventory and would need to sign a new agreement. Under the new agreement, Mr. Martin owed $4,375.10 at the time of delivery—almost four times the cost of the original estimate. Since Mr. Martin did not have the amount demanded at the time of delivery, he is making payments until he pays off the total balance.

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[123] Committee staff telephone interview with Alan Vangen (Aug. 10, 2012); Better Business Bureau, Complaint Activity Report, Case No. 90092866 (Mar. 25, 2011) (DiSorbo Doc. DBC 002757); United States Van Lines Response to Better Business Bureau Complaint and Accompanying Customer Call Log Notes (Feb. 28, 2012) (DiSorbo Doc. DBC 002758—002761).

[124] Committee staff telephone interview with Gary Martin (June 12, 2012); E-mail from Gary Martin to Committee staff and accompanying documents (June 12, 2012).

Matthew and Danielle Buhler—Las Cruces, New Mexico.[125] Ms. Buhler's husband was offered a job that required the family to move from North Carolina to New Mexico in three weeks. United States Van Lines gave her a binding estimate of $3,411.74 to move an estimated 5,441 pounds; Ms. Buhler originally planned to use a different company, but United States Van Lines matched that estimate. Ms. Buhler paid $956.32 as a "binding estimate fee" to schedule the move for September 26. "They did not advise us until after we gave the deposit that it could take 3 weeks to deliver our stuff." United States Van Lines never explained that they were a broker.

On September 27—one day after the move was scheduled to occur—MBM Moving Systems, LLC, arrived and determined that the items weighed approximately 9,200 pounds, which increased the estimate to $5,285.26. Throughout the move, Ms. Buhler attempted to contact United States Van Lines, but her phone calls were not returned. Ms. Buhler's items arrived on October 17 and were significantly damaged. According to Ms. Buhler:

I see now that it doesn't matter what they promise you because they know the contract is not really binding and they can charge you whatever they want. After everything happened I researched this company and have found that I am not the only person that they did this to. My only fault is not researching them more in the beginning, but we were in a hurry and the rep I spoke with seemed very knowledgeable and friendly. Lo and behold I could not get in touch with her at all once we were on the hook. It just goes straight to the manager's voice mail and NO one calls you back.

Richard Selinfreund—Terre Haute, Indiana.[126] On July 16, 2012, Mr. Selinfreund signed a contract with Colonial Van Lines estimating his family's move at $4,896.24; he paid an initial deposit of $2,023 with a pick-up date of July 30, 2012 and an estimated delivery date between August 3 and August 11. On July 27, only a few days before the scheduled move, a Colonial employee demanded an additional $2,024 payment or the movers would not come. Mr. Selinfreund paid the additional amount.

On July 30, the day of the scheduled move, Mr. Selinfreund was contacted by Colonial, informed that the truck would not be arriving on time, and offered $350 if he could wait until August 4. However, Mr. Selinfreund explained that he could not wait because he had to be out of the home before August 1 pursuant to the contract for sale and to avoid paying an extra month on his mortgage.

On August 1, Colonial Van Lines promised him that a van would arrive that afternoon or, at the latest, the next day. Mr. Selinfreund was told that he would need approximately $1,900 for the movers. On August 2, the carrier—United Distribution Van Lines—arrived and demanded over $3,000 to complete the move; when Mr. Selinfreund disagreed, the movers drove away. Mr. Selinfreund spoke with Colonial Van Lines, and a Colonial employee informed him that United Distribution would return the next day for the previously agreed upon $1,900. On August 3, United Distribution returned and loaded some of the items, taking $1,900 but still demanding over $3,000 to load the remaining belongings. Ultimately, Mr. Selinfreund was forced to personally rent a truck and hire local labor to load his remaining belongings.

At this point, Mr. Selinfreund was left with no choice but to make his $2,700 mortgage payment for the month of August. Furthermore, because he was unable to move out by the originally agreed upon date and the final walk through could not occur, the contract to purchase his home expired on July 31 and was no longer in effect.

On August 13, he called Colonial Van Lines to determine when his shipment would arrive. On August 18, United Distribution informed him that the delivery would arrive the next day, but Mr. Selinfreund would need to pay an additional $6,526.45 for extra weight and additional services. On August 20, United Distribution called again and indicated that the total move had in fact cost $10,678.80—more than twice the original estimate—and that, based on his previous deposits, Mr. Selinfreund owed $4,705.25. Ultimately, Mr. Selinfreund was able to negotiate with United Distribution and have his items delivered.

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[125] Committee staff telephone interview with Danielle Buhler (Aug. 9, 2012); Better Business Bureau, Complaint Activity Report, Case No. 90122099 (Oct. 17, 2011) (DiSorbo Doc. DMC 000410–000411); United States Van Lines Response to Better Business Bureau Complaint and Accompanying Documents (Nov. 17, 2011) (DiSorbo Doc. DMC 000412–000422).

[126] Committee staff telephone interview with Richard Selinfreund (Aug. 20, 2012); E-mail from Richard Selinfreund to Committee staff (Aug. 20, 2012).

Edgar Ibarra—St. Augustine, Florida.[127] Mr. Ibarra began searching online to find movers to handle his relocation from Volo, Illinois, to St. Augustine, Florida. He spoke with a few companies and, on July 15, 2011, ultimately chose Budget Van Lines because it gave the cheapest estimate—$1,955—and seemed like a larger company that would be concerned about reputation. Mr. Ibarra paid $683.75, which included a $195 booking fee, to reserve the move.

He was not aware that Budget Van Lines was a broker until after he paid the initial fee. A few days before his August 2011 move, he learned that Able Moving Inc. would be his carrier. On August 14, 2011, Able Moving packed Mr. Ibarra's belongings, and Mr. Ibarra paid $733.13, with the remainder of approximately $700 due at the time of delivery. Approximately one week later, the driver for Able Moving called Mr. Ibarra to arrange for delivery of the items and indicated that Mr. Ibarra owed approximately $1,650. This included approximately $600 in additional packing expenses that had not previously been disclosed to Mr. Ibarra. When Mr. Ibarra requested paperwork from Able Moving, he received documents that he believes Able Moving altered after he signed them in order to increase the price.

When Mr. Ibarra stated that he only owed $700 more and would not pay the additional money, Able Moving put his belongings in storage and refused to release them until he wired funds. Mr. Ibarra was not told where his items were, and despite numerous calls to both Able Moving and Budget Van Lines, he received no assistance. Mr. Ibarra contacted FMCSA on August 26, 2011 to complain and, with the agency's assistance, ultimately paid $928.12 on September 4, 2011 and received his items.

V. Conclusion

Despite continuous legislative and enforcement efforts, thousands of consumers continue to complain every year that moving companies give them low estimates, but then increase the cost dramatically once the move is underway. In recent years, the rise of the use of the Internet by consumers to locate a mover has increased the presence of Internet moving brokers. Many of the business practices used by Internet moving brokers appear to be problematic for consumers and lead to a significant number of consumer complaints. As the household goods moving industry continues to evolve, policymakers, regulators, and law enforcement officials will need to put more effort into understanding the role of Internet moving brokers and the impact that these practices are having on consumers.

[127] Committee staff telephone interview (Sept. 4, 2012); Edgar Ibarra complaint to the Federal Motor Carrier Safety Administration (Aug. 26, 2011) (Budget Doc. Exhibit 5—001441–001442); Budget Van Lines Estimate and Customer Call Logs and accompanying documents (Budget Doc. Exhibit 5—001443–001468).

Examples of "Deposits" **Exhibit 1**

Patriot Van Lines
1518 Willow Lawn Drive
Richmond VA, 23230
Tel: (800) 741-6743
Fax: (866) 913-3542
MC # 452778-B

PATRIOT VAN LINES

JOB NO. 64735753-35-R2

Dear [redacted]

Thank you for your recent deposit for your upcoming move. Please review and complete the information below. If you have any questions or concerns, please call our customer service department at 1-800-741-6743.

Today's Date: 12/21/2011
ETA Pack Date:
ETA Load Date: 12/27/2011 - 12/28/2011
ETA Delivery Date: 1/2/2012 - 1/14/2012
Estimated Weight: 4,056 lbs.
Based on Table of Measurements or List of Items

Customer Name: [redacted]

Billing Information:

Total Charge: 3,264.92 *Based on Estimate*
Previous Deposit Paid: $1,072.82
Deposit Due $515.49
Total Deposit $1,588.31 *to Patriot Van Lines*
Balance Due: $1,676.61
Based on Estimated Weight, above.

I agree to pay the total charges for moving coordinator services to be provided by Patriot Van Lines (the "Company"). I understand that my deposit/fee represents only a portion of my total estimated service charges. For scheduling and routing purposes my deposit/fee is not refundable, unless I notify the Company at 800-741-6743 ext 530 of my intent to cancel the estimate, change my pick up date, or place the move on hold, at least 5 business days (Saturday, Sundays and Holidays not included) prior to the pack or load date (whichever applies) listed above. I understand that if I cancel my move less than 5 business days prior to the scheduled pack or load date and the truck has not arrived at the pick-up location than I am only entitled to receive a credit of my deposit for future interstate moving services to be used by the cardholder within a 12 month period from the date of cancellation. If I cancel my move less than 5 business days prior to the scheduled pick-up or load date and the truck has arrived to attempt services then I am not entitled to a refund or a credit of my deposit/fee. All credit card refunds will be processed on my next billing statement.

X _____ _____
Signature [SIGN HERE] Date

For domestic shipments: All balances due will be paid upon delivery prior to unloading unless specified by carrier.

This contract shall be governed by the internal laws of the State of Florida without regard to principles of conflicts of law. Any dispute arising out of relation to this Agreement shall be brought in the courts of record of the State of Florida in Broward County or the court of the United States, Southern District of Florida in Broward County.

Please sign the credit card slip.
Retain a copy for your records and return bottom copy in the envelope provided and/or fax a copy to the number above. Thank You!

Deposit 1 of 2

NO SIGNATURE REQUIRED

Cardholder acknowledges to receive goods and/or services in the amount of the Total shown hereon and agrees to perform the obligation set forth in the

Quant	Class	Description	Price	Amount
1		Deposit/Binding Estimate Fee	$1,072.82	$1,072.82

Date: 10/17/11 11:20 am Authorization: [redacted]
Name: [redacted]
Address. City, State Zip: [redacted]
Card #: [redacted] Exp: [redacted]

Sub Total
Tax
Tips
Misc.
SALE SLIP
Total $1,072.82

Deposit 2 of 2

X _____
[SIGN HERE]

Cardholder acknowledges to receive goods and/or services in the amount of the Total shown hereon and agrees to perform the obligation set forth in the Cardholder's agreement with the issuer.

Quant	Class	Description	Price	Amount
1		Deposit/Binding Estimate Fee	$515.49	$515.49

Date: 12/21/11 1:15 pm Authorization: [redacted]
Name: [redacted]
Address. City, State Zip: [redacted]
Card #: [redacted] Exp: [redacted]

Sub Total
Tax
Tips
Misc.
SALE SLIP
Total $515.49

DBC007804

Examples of "Deposits" **Exhibit 1**

1313 Yellow Lawn Drive
Richmond VA, 23230
Tel: (800) 741-6743
Fax: (866) 913-3542
MC # 452778-B

PATRIOT VAN LINES

JOB NO. 64735848-35

Dear [redacted]

Thank you for your recent deposit for your upcoming move. Please review and complete the information below. If you have any questions or concerns, please call our customer service department at 1-800-741-6743.

Today's Date: 10/19/2011

ETA Pack Date:

ETA Load Date: 10/23/2011 - 10/24/2011

ETA Delivery Date: 10/27/2011 - 11/8/2011

Estimated Weight: 4,266 lbs.

Based on Table of Measurements or List of Items

Customer Name: [redacted]

Billing Information:

Total Charge: 4,397.51
Based on Estimate

Previous Deposit Paid: $0.00

Deposit Due $2,203.08

Total Deposit $2,203.08
to Patriot Van Lines

Balance Due: $2,194.43
Based on Estimated Weight, above.

I agree to pay the total charges for moving coordinator services to be provided by Patriot Van Lines (the "Company"). I understand that my deposit/fee represents only a portion of my total estimated service charges. For scheduling and routing purposes my deposit/fee is not refundable, unless I notify the Company at 800-741-6743 ext 530 of my intent to cancel the estimate, change my pick up date, or place the move on hold, at least 5 business days (Saturday, Sundays and Holidays not included) prior to the pack or load date (whichever applies) listed above. I understand that if I cancel my move less than 5 business days prior to the scheduled pack or load date and the truck has not arrived at the pick-up location than I am only entitled to receive a credit of my deposit for future interstate moving services to be used by the cardholder within a 12 month period from the date of cancellation. If I cancel my move less than 5 business days prior to the scheduled pick-up or load date and the truck has arrived to attempt services then I am not entitled to a refund or a credit of my deposit/fee. All credit card refunds will be processed on my next billing statement.

X_____ _____

Signature [SIGN HERE] Date

For domestic shipments: All balances due will be paid upon delivery prior to unloading unless specified by carrier.

This contract shall be governed by the internal laws of the State of Florida without regard to principles of conflicts of law. Any dispute arising out of relation to this Agreement shall be brought in the courts of record of the State of Florida in Broward County or the court of the United States, Southern District of Florida in Broward County.

Please sign the credit card slip.
Retain a copy for your records and return bottom copy in the envelope provided and/or fax a copy to the number above. Thank You!

Deposit 1 of 1

X_____

[SIGN HERE]

Cardholder acknowledges to receive goods and/or services in the amount of the Total shown hereon and agrees to perform the obligation set forth in the Cardholder's agreement with the issuer.

Quant	Class	Description	Price	Amount
1		Deposit/Binding Estimate Fee	$2,203.08	$2,203.08
Date: 10/19/11 5:16 pm		Authorization: [redacted]	Sub Total	
Name: [redacted]			Tax	
Address. City, State Zip: [redacted]			Tips Misc.	
[redacted]		SALE SLIP	Total	$2,203.08
Card #: [redacted]			Exp: [redacted]	

DBC007879

[redacted]

Examples of "Deposits" Exhibit 1

UNITED STATES VAN LINES
RELOCATION DIVISION

2000 N. State Road 7
Margate, FL 33063
Toll Free: 888-332-2850 Fax: 888-332-2790
MC-518943-B
www.usvlmoves.com

JOB NO.
14123880-04

Dear [redacted]

Thank you for your recent deposit for your upcoming move. Please review and complete the information below. If you have any questions or concerns, please call our customer service department at 888-332-2850 ext 851.

Today's Date: 12/8/2011

ETA Pack Date:

ETA Load Date: 12/13/2011 - 12/14/2011

ETA Delivery Date: 12/19/2011 - 12/24/2011

Estimated Weight: 10,979 lbs.

Based on Table of Measurements or List of Items

Customer Name: [redacted]

Billing Information:

Total Charge: 5,745.04
Based on Estimate

Previous Deposit Paid: $0.00

Deposit Due $2,263.39

Total Deposit $2,263.39
to United States Van Lines Relocation Division

Balance Due: $3,481.65

Based on Estimated Weight, above.

I agree to pay the total charges for moving coordinator services to be provided by United States Van Lines Relocation Division (the "Company"). I understand that my deposit/fee represents only a portion of my total estimated service charges. For scheduling and routing purposes my deposit/fee is not refundable, unless I notify the Company at 888-332-2850 ext 812 of my intent to cancel the estimate, change my pick up date, or place the move on hold, at least 5 business days (Saturday, Sundays and Holidays not included) prior to the pack or load date (whichever applies) listed above. I understand that if I cancel my move less than 5 business days prior to the scheduled pack or load date and the truck has not arrived at the pick-up location than I am only entitled to receive a credit of my deposit for future interstate moving services to be used by the cardholder within a 12 month period from the date of cancellation. If I cancel my move less than 5 business days prior to the scheduled pick-up or load date and the truck has arrived to attempt services then I am not entitled to a refund or a credit of my deposit/fee. All credit card refunds will be processed on my next billing statement.

X_____ _____
Signature [SIGN HERE] Date

For domestic shipments: All balances due will be paid upon delivery prior to unloading unless specified by carrier.

This contract shall be governed by the internal laws of the State of Florida without regard to principles of conflicts of law. Any dispute arising out of relation to this Agreement shall be brought in the courts of record of the State of Florida in Broward County or the court of the United States, Southern District of Florida in Broward County.

Please sign the credit card slip.
Retain a copy for your records and return bottom copy in the envelope provided and/or fax a copy to the number above. Thank You!

Deposit 1 of 1

X_____
[SIGN HERE]

Cardholder acknowledges to receive goods and/or services in the amount of the Total shown hereon and agrees to perform the obligation set forth in the Cardholder's agreement with the issuer.

Quant	Class	Description	Price	Amount
1		Deposit/Binding Estimate Fee	$2,263.39	$2,263.39

Date: 12/8/11 1:30 pm Authorization: [redacted]

Name: [redacted]

Address. City, State Zip: [redacted]

Sub Total
Tax
Tips
Misc.
Total $2,263.39

SALE SLIP

Card #: [redacted] Exp: [redacted]

Examples of "Deposits" Exhibit 1

UNITED STATES VAN LINES
RELOCATION DIVISION

2000 N. State Road 7
Margate, FL 33063
Toll Free: 888-332-2850 Fax: 888-332-2790
MC-518943-B
www.usvlmoves.com

JOB NO.
14177868-04

Dear [redacted]

Thank you for your recent deposit for your upcoming move. Please review and complete the information below. If you have any questions or concerns, please call our customer service department at 888-332-2850 ext 851.

Today's Date: 12/30/2011

ETA Pack Date:

ETA Load Date: 1/5/2012 - 1/6/2012

ETA Delivery Date: 1/11/2012 - 1/19/2012

Estimated Weight: 9,506 lbs.

Based on Table of Measurements or List of Items

Customer Name: [redacted]

Billing Information:

Total Charge: 5,106.68
Based on Estimate

Previous Deposit Paid: $0.00

Deposit Due $1,943.64

Total Deposit $1,943.64
to United States Van Lines Relocation Division

Balance Due: $3,163.04

Based on Estimated Weight, above.

For domestic shipments: All balances due will be paid upon delivery prior to unloading unless specified by carrier.

I agree to pay the total charges for moving coordinator services to be provided by United States Van Lines Relocation Division (the "Company"). I understand that my deposit/fee represents only a portion of my total estimated service charges. For scheduling and routing purposes my deposit/fee is not refundable, unless I notify the Company at 888-332-2850 ext 812 of my intent to cancel the estimate, change my pick up date, or place the move on hold, at least 5 business days (Saturday, Sundays and Holidays not included) prior to the pack or load date (whichever applies) listed above. I understand that if I cancel my move less than 5 business days prior to the scheduled pack or load date and the truck has not arrived at the pick-up location than I am only entitled to receive a credit of my deposit for future interstate moving services to be used by the cardholder within a 12 month period from the date of cancellation. If I cancel my move less than 5 business days prior to the scheduled pick-up or load date and the truck has arrived to attempt services then I am not entitled to a refund or a credit of my deposit/fee. All credit card refunds will be processed on my next billing statement.

X_____ _____

Signature **[SIGN HERE]** Date

This contract shall be governed by the internal laws of the State of Florida without regard to principles of conflicts of law. Any dispute arising out of relation to this Agreement shall be brought in the courts of record of the State of Florida in Broward County or the court of the United States, Southern District of Florida in Broward County.

Please sign the credit card slip.
Retain a copy for your records and return bottom copy in the envelope provided and/or fax a copy to the number above. Thank You!

Deposit 1 of 1

X_____

[SIGN HERE]

Cardholder acknowledges to receive goods and/or services in the amount of the Total shown hereon and agrees to perform the obligation set forth in the Cardholder's agreement with the issuer.

Quant	Class	Description	Price	Amount
1		Deposit/Binding Estimate Fee	$1,943.64	$1,943.64

Date: 12/30/11 1:37 pm	Authorization: [redacted]	Sub Total
Name: [redacted]		Tax
Address. City, State Zip: [redacted]		Tips Misc.
[redacted]	SALE SLIP	Total $1,943.64
Card #: [redacted]		Exp: [redacted]

123-1

[redacted]

DBC004581

Examples of "Deposits" **Exhibit 1**

AMERICAN VANLINES California

8300 N Hayden Road Suite 207
Scottsdale, Arizona 85258
Toll Free: 800-338-9361 Fax: 800-360-7962
MC 585664 www.avlhq.com

JOB NO.
8113438-30-R1

Dear [redacted]

Thank you for your recent deposit for your upcoming move. Please review and complete the information below. If you have any questions or concerns, please call our customer service department at 800-338-9361.

Today's Date: 12/21/2011
ETA Pack Date:
ETA Load Date: 12/27/2011 - 12/28/2011
ETA Delivery Date: 12/28/2011 - 12/30/2011
Estimated Weight: 9,205 lbs.
Based on Table of Measurements or List of Items

Customer Name: [redacted]

Billing Information:

Total Charge: 6,406.80
Based on Estimate
Previous Deposit Paid: $1,855.99
Deposit Due $882.30
Total Deposit $2,738.29
to American Vanlines
Balance Due: $3,668.51
Based on Estimated Weight, above.

I agree to pay the total charges for moving coordinator services to be provided by American Vanlines (the "Company"). I understand that my deposit/fee represents only a portion of my total estimated service charges. For scheduling and routing purposes my deposit/fee is not refundable, unless I notify the Company at 800-338-9361 ext 710 of my intent to cancel the estimate, change my pick up date, or place the move on hold, at least 5 business days (Saturday, Sundays and Holidays not included) prior to the pack or load date (whichever applies) listed above. I understand that if I cancel my move less than 5 business days prior to the scheduled pack or load date and the truck has not arrived at the pick-up location than I am only entitled to receive a credit of my deposit for future interstate moving services to be used by the cardholder within a 12 month period from the date of cancellation. If I cancel my move less than 5 business days prior to the scheduled pick-up or load date and the truck has arrived to attempt services then I am not entitled to a refund or a credit of my deposit/fee. All credit card refunds will be processed on my next billing statement.

X_____ _____
Signature [SIGN HERE] Date

For domestic shipments: All balances due will be paid upon delivery prior to unloading unless specified by carrier.

This contract shall be governed by the internal laws of the State of Florida without regard to principles of conflicts of law. Any dispute arising out of relation to this Agreement shall be brought in the courts of record of the State of Florida in Florida County or the court of the United States, District Court of Florida in Florida County.

Please sign the credit card slip.
Retain a copy for your records and return bottom copy in the envelope provided and/or fax a copy to the number above. Thank You!

Deposit 1 of 2

NO SIGNATURE REQUIRED

Cardholder acknowledges to receive goods and/or services in the amount of the Total shown hereon and agrees to perform the obligation set forth in the

Quant	Class	Description	Price	Amount
1		Deposit/Binding Estimate Fee	$1,855.99	$1,855.99

Date: 12/6/11 5:02 pm Authorization: [redacted]
Name: [redacted]
Address. City, State Zip: [redacted]
Sub Total
Tax
Tips
Misc.
SALE SLIP
Total **$1,855.99**
Card #: [redacted] Exp: [redacted]

Deposit 2 of 2

X_____
[SIGN HERE]

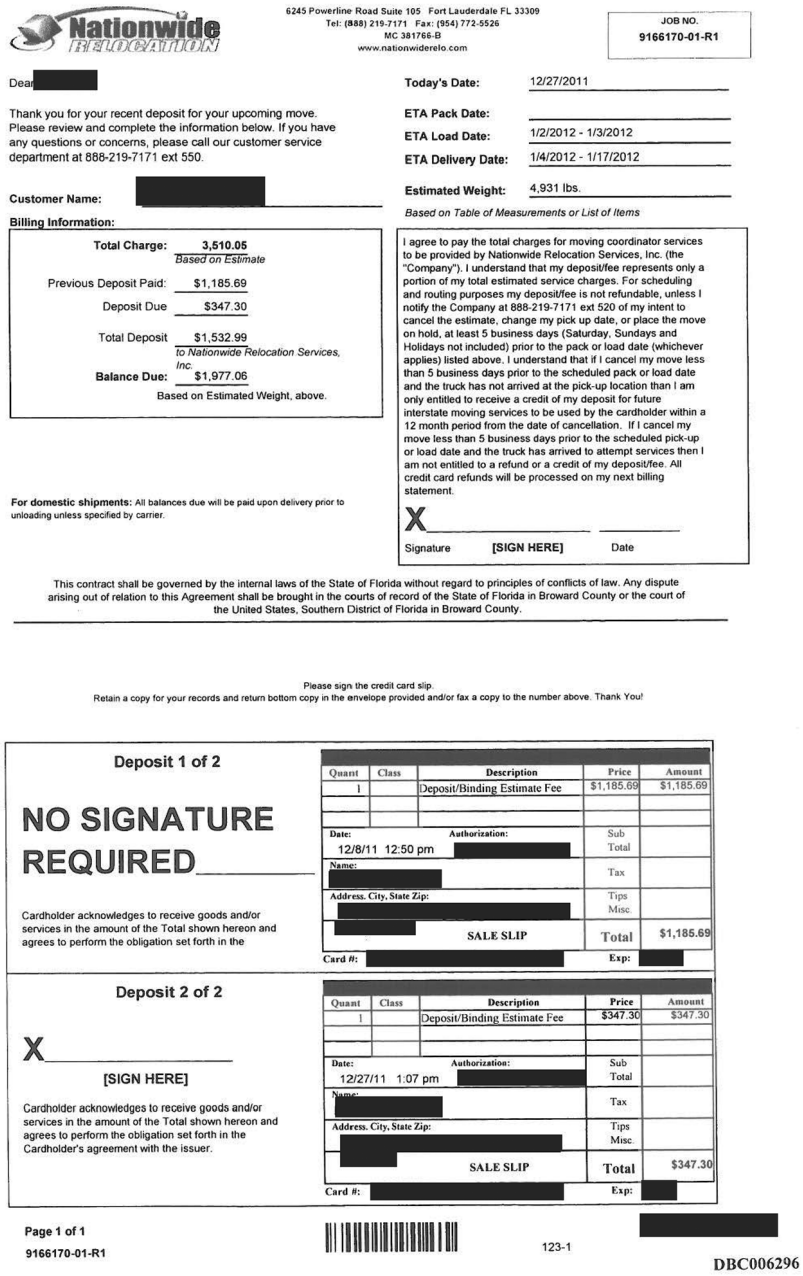
Cardholder acknowledges to receive goods and/or services in the amount of the Total shown hereon and agrees to perform the obligation set forth in the Cardholder's agreement with the issuer.

Quant	Class	Description	Price	Amount
1		Deposit/Binding Estimate Fee	$882.30	$882.30

Date: 12/21/11 4:20 pm Authorization: [redacted]
Name: [redacted]
Address. City, State Zip: [redacted]
Sub Total
Tax
Tips
Misc.
SALE SLIP
Total **$882.30**
Card #: [redacted] Exp: [redacted]

Page 1 of 1
8113438-30-R1
123-1
[redacted]
DBC003929

Examples of "Deposits" Exhibit 1



Nationwide RELOCATION

6245 Powerline Road Suite 105 Fort Lauderdale FL 33309
Tel: (888) 219-7171 Fax: (954) 772-5526
MC 381766-B
www.nationwiderelo.com

JOB NO.
9166170-01-R1

Dear [redacted]

Thank you for your recent deposit for your upcoming move. Please review and complete the information below. If you have any questions or concerns, please call our customer service department at 888-219-7171 ext 550.

Today's Date: 12/27/2011

ETA Pack Date:

ETA Load Date: 1/2/2012 - 1/3/2012

ETA Delivery Date: 1/4/2012 - 1/17/2012

Estimated Weight: 4,931 lbs.

Based on Table of Measurements or List of Items

Customer Name: [redacted]

Billing Information:

Total Charge: 3,510.05
Based on Estimate

Previous Deposit Paid: $1,185.69

Deposit Due $347.30

Total Deposit $1,532.99
to Nationwide Relocation Services, Inc.

Balance Due: $1,977.06
Based on Estimated Weight, above.

I agree to pay the total charges for moving coordinator services to be provided by Nationwide Relocation Services, Inc. (the "Company"). I understand that my deposit/fee represents only a portion of my total estimated service charges. For scheduling and routing purposes my deposit/fee is not refundable, unless I notify the Company at 888-219-7171 ext 520 of my intent to cancel the estimate, change my pick up date, or place the move on hold, at least 5 business days (Saturday, Sundays and Holidays not included) prior to the pack or load date (whichever applies) listed above. I understand that if I cancel my move less than 5 business days prior to the scheduled pack or load date and the truck has not arrived at the pick-up location than I am only entitled to receive a credit of my deposit for future interstate moving services to be used by the cardholder within a 12 month period from the date of cancellation. If I cancel my move less than 5 business days prior to the scheduled pick-up or load date and the truck has arrived to attempt services then I am not entitled to a refund or a credit of my deposit/fee. All credit card refunds will be processed on my next billing statement.

X_____ _____
Signature [SIGN HERE] Date

For domestic shipments: All balances due will be paid upon delivery prior to unloading unless specified by carrier.

This contract shall be governed by the internal laws of the State of Florida without regard to principles of conflicts of law. Any dispute arising out of relation to this Agreement shall be brought in the courts of record of the State of Florida in Broward County or the court of the United States, Southern District of Florida in Broward County.

Please sign the credit card slip.
Retain a copy for your records and return bottom copy in the envelope provided and/or fax a copy to the number above. Thank You!

Deposit 1 of 2

NO SIGNATURE REQUIRED_____

Cardholder acknowledges to receive goods and/or services in the amount of the Total shown hereon and agrees to perform the obligation set forth in the

Quant	Class	Description	Price	Amount
1		Deposit/Binding Estimate Fee	$1,185.69	$1,185.69

Date: 12/8/11 12:50 pm Authorization: [redacted]
Name: [redacted]
Address. City, State Zip: [redacted]
SALE SLIP
Card #: [redacted] Exp: [redacted]

Sub Total
Tax
Tips Misc.
Total $1,185.69

Deposit 2 of 2

X_____
[SIGN HERE]

Cardholder acknowledges to receive goods and/or services in the amount of the Total shown hereon and agrees to perform the obligation set forth in the Cardholder's agreement with the issuer.

Quant	Class	Description	Price	Amount
1		Deposit/Binding Estimate Fee	$347.30	$347.30

Date: 12/27/11 1:07 pm Authorization: [redacted]
Name: [redacted]
Address. City, State Zip: [redacted]
SALE SLIP
Card #: [redacted] Exp: [redacted]

Sub Total
Tax
Tips Misc.
Total $347.30

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9166170-01-R1

123-1

[redacted]

DBC006296

The CHAIRMAN. It is very nice. It will make you a little angry when you read it. It is not that long. Ms. Kovalcik, you can do it on the train ride back. You are taking the train back to Brooklyn?

Ms. KOVALCIK. Yes.

The CHAIRMAN. You are? OK. Well, I will give you my copy.

The fact of the matter is that, in spite of the fact that we have new rules and regulations, that the number of defrauding cases has increased in the last several years, and the overcharges have increased, hostage situations, that is when you are held hostage and the truck just says, "All right, well, that so called bill of lading," which I will get into in a minute, "which you did over the Internet or over the telephone does not mean a thing to me, and so we are going to have a new bill of lading, and you got to sign it, and if you do not sign it, well, by golly, I am just going to hold your furniture and all of your moving goods hostage, and there is not anything you can do about it."

One of the reasons that moving scams are not going away is that dishonest companies are getting better at using the Internet. Some moving brokers—brokers, remember that—have figured out how to use the Internet to lure customers into a bait and switch game. Here is how it works.

Internet moving brokers sign up consumers by offering them low, so-called binding statements for their moves. Now, these brokers do not own any trucks. They are not moving companies. They are brokers. But, they do not tell you that. They do not say, "Oh, we do not have any trucks. We are just a broker, and then somebody will turn up at your place, but we do not know who it is going to be."

They are not upfront with their customers at all. On the day of their moves, many customers learn for the first time that an entirely differently named company will be moving their possessions, and that will always be a company that they have never heard of, and the sketchy companies that show up on consumers' moving day routinely jack up the price of the moves after they have loaded all the consumers' worldly possessions in the back of their trucks.

Now, to their credit, which I am loathed to give them any of, they do, presumably, look out to see what is going to be moved, and how heavy it is, and how much there is, and how valuable it is, and all the rest of it, because they have to put a price on it. But, to this point, they have not done that, but then they quickly do after they pack it up.

The bill of lading, which Ms. Kovalcik has been worrying about, just disappears from the face of the Earth. It is a nothing. It is an absolute nothing. And, she is handed a new bill and a new piece of paper to sign. If she does not sign that piece of paper, which probably doubles or triples the amount of money that she will be required to pay, they may drive the truck for a couple of blocks, and just park it in some parking lot, and they hold all the moving goods hostage.

Now, this is not going to cure our problems with Iran, or with the Soviet Union, or with China, or anything else, but that is not what we are here for. We are here to try and help out people like Ms. Kovalcik who have been through these horrible experiences.

So, again, the consumers have received so-called binding estimates from somebody who comes to them through the Internet or over a telephone, and hereby, who by definition, has absolutely no idea what is in the consumer's house, whether there is a lot, whether it is valuable, whether they are all antiques, whether they

all come from the Baroque period, whether they are modern, whether there were a lot of them, whether there were a little of them. They have no idea. But, they quote a price, and it is always a low price, always a low price, because low prices are nice things to have, if, in fact, it turns out that way.

But, they do not see Ms. Kovalcik. They do not have any experience with her. They do not see her house. They do not see her goods. They do not see what they are saying they are going to do. And then, they give themselves names, and we will get into that. And, they give themselves names which are suspiciously like moving companies. In other words, the broker who has no trucks, probably has a car to get to work, but no trucks, no moving capacity, but they give themselves a moving van-like name. So, what is Ms. Kovalcik meant to do?

She believes, in fact, that they are going to move her stuff, and she has no reason, she signs a bill of lading, it is a low price, and she is happy about that. And then, this totally different company, who she has never heard of, comes in, has not been told about that company, and then she gets scalded.

That makes this Committee very angry, and it makes us very ambitious to make sure, Mr. Barry, that more people go to jail. I mean, it is nice to have the Better Business Bureau sort of downgrade your rating, but frankly, that really does not help Ms. Kovalcik very much, does it? It is when people go to jail that the signal is given in the industry that they better be careful because people are watching.

So, today, we are going to—and this is nothing more than extortion, and then these nice moving companies that come in, after they take Ms. Kovalcik's—all of her worldly goods, they threaten the consumer and say, "You are never going to see your things again, unless you agree to pay us thousands of dollars in additional charges." That is extortion.

They have the goods. They have made her sign something. She suddenly is getting very nervous, and then they threaten her. And, what is she going to do? Tell them to unload it? No, they are not going to do that, because they have got a scam going.

So, today we are going to learn more about how Internet moving brokers and their moving carrier partners are causing substantial harm to consumers all across America.

Now, these companies are not only hurting consumers, they are also damaging the reputation of the moving industry, which we do not want, because the vast majority of moving companies follow the law and give customers good service at a fair price. But, not Ms. Kovalcik, and she is representative of so many people.

So, we need to redouble our efforts to end these abuses, whether that means improving consumer protection, consumer education—it is sort of like these ads that you are seeing on television now, "Wait a little bit." In other words, do not text when you are driving. You can wait. You can wait. You can die, or you can wait. And, if you have an accident, you kind of remember that, and you do not do it again. Well, these moving companies and these brokers need to have an accident so that they do not do these kinds of things in the future.

We need to give our regulators and law enforcement agencies more authority, and we have to give them more resources which is easy to say and hard to do these days, when we are facing a fiscal cliff. But, we are going to fight mightily on this Committee to get adequate resources to some of those who are before us. We need to put these companies out of business.

And, we are going to keep doing our part in this Committee. We will continue working to improve Federal policy, and when we find information indicating potential criminal activities by these companies, we will share it with the Department of Justice, the Dot Inspector General, any other appropriate authority. These abuses have to end.

Now, let me read our witnesses. Great, I got my coffee.

One is the Honorable Anne Ferro, and you are there, and you are the Administrator of the Federal Motor Carrier Safety Administration, the acronym of which is very hard to pronounce. So, you have to know all five words, or four words, or whatever it is.

Mr. Timothy Barry, who is the Principal Assistant Inspector General for Investigations for the Department of Transportation Office of the Inspector General. That makes him a powerful guy, a powerful guy.

Ms. Reana Kovalcik, she is from New York, she has traveled to D.C. to, as it says here, "share her moving experience with this Committee." Now, I take that as a literal statement, "moving," but it can be taken in both ways. I mean, she has been through—you will have to tell us when you give your testimony what you went through and how you felt about all this.

Ms. Linda Darr, who is President and CEO of the American Moving and Storage Association. And, we want to protect your reputation.

And, Mr. Jason Romrell. Mr. Romrell is President and Chief Legal Officer of Budget Van Lines, which turns out to be one of the van lines that turned up.

OK, I would like to call on Anne Ferro first for your testimony. And, I apologize for the lack of colleagues, but this is the last day we are going to be in session, and so, all kinds of things are going on, but I want at least three or four people that are going to be here.

STATEMENT OF HON. ANNE S. FERRO, ADMINISTRATOR, FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION, U.S. DEPARTMENT OF TRANSPORTATION

Ms. FERRO. Well, Mr. Chairman, thank you very much for the opportunity to join this panel today and discuss with the Committee the business practices of the household goods industry, and the role of the Federal Motor Carrier Safety Administration in that process of weeding out, detecting and prosecuting the deceitful practices that you described in your opening remarks.

The FMCSA's primary mission is to reduce truck-and bus-related crashes and fatalities. Our primary mission is safety. But, we also are absolutely committed and dedicated to improve consumer protections in the moving industry as part of our mandate and part of something we totally embrace. We know how vulnerable——

The CHAIRMAN. It is part of your law.

Ms. FERRO. Part of our law, yes sir. Thank you. We know how vulnerable some consumers feel and how vulnerable they actually are when their personal property is held hostage by a household goods carrier. And, we can constantly work to enforce the commercial rules, educate consumers, leverage partnerships, and take action against unsafe and unscrupulous moving companies and brokers.

The FMCSA's commercial oversight structure is based on a peer relationship between shipper and moving company. In which case, in this case the shipper is a consumer. The relationship works best both when the shipper and the moving company are commercial entities, because both are accustomed to commercial operating requirements and civil dispute procedures.

Homeowners and renters are at a disadvantage in this relationship because they may not be aware of the rights, the responsibilities, the obligations of that moving company.

A great example of this is the very fact that rogue movers rarely prey upon office relocation activities. An office move negotiation generally takes place between business peers.

Currently, of the 525,000 motor carriers that we oversee, that we regulate, just over 4,000 are registered moving companies. Out of the 21,000 brokers we regulate, just about 500 are household goods brokers. And, of the approximately 18,000 safety compliance reviews that we carry out on the industries we regulate each year, about 600 are conducted on household goods moving companies and expanding now to brokers.

Our household goods oversight strategy is driven by four actions, much of which you actually identified in your testimony—detect, investigate, prosecute, and educate.

Those strategies start with the detection piece. From the outset, we scrutinize applicants for household goods operating authority, a process that we call vetting, a process we use on household good and passenger carrier applicant side to attempt to identify and prevent reincarnated carriers, or those that create a new identity to avoid our enforcement actions, and come back into a business, avoid being shut down by reincarnating, to weed those out.

Since we began this vetting process in 2009, we have reviewed and received almost 3,700 applications for household goods authority, and we have vetted out about 30 percent of those, that either were rejected by virtual of the content and nature of the applicant, or were actually withdrawn because of the additional information we requested and they never followed through.

We also operate a national consumer complaint data base, where consumers can file complaints against unsafe and unscrupulous companies, including moving companies and brokers. This year, in 2012, we received about 2,300 complaints. Roughly 20 to 25 percent are the hostage load complaints that you described.

We will use this data, we do use this data, combined with our safety analysis, to go after the worst offenders. We create a top 100 list, and when we prosecute and find a very tough case, we work with the Inspector General's office to carry it through to that criminal prosecution and jail time every chance the Inspector General can achieve that.

We work very hard to get the bad operators out of business, and we do that in large part through partnerships, with Federal agencies like the Inspector General, with help and guidance from the Federal Trade Commission, and in developing stronger partnerships with our state law enforcement and public utility commissions. It is an effort that has evolved over time since SAFETEA–LU. We now have three states that have specifically signed MOU's, with trained officers to begin household goods compliance reviews early next year, and we have five other states in the wings. These states become our force multiplier in attacking this problem of deceitful practices.

MAP–21 has provided some outstanding new authority for us. It authorizes us specifically to require testing of a household goods applicant before they get their authority, a follow up commercial review within their first 18 months of authority. It provides and allows for us to assign as restitution to the consumer a portion of the penalty, a portion or all of the penalty, that we levy against the carrier or that shipper, or I should say mover, that has committed violations. These additional authorities absolutely will help us crack down on hostage good situations and on the deceitful practices.

We also want to be sure that all consumers have the resources they need to get a professional move. We have *protectyourmove.gov.* This is a website that we have absolutely improved over time to be a tremendous resource for consumers to look at, and educate a consumer as a protected consumer, and we are working very hard with other partners in the industry, private and public, to get the word out on *protectyourmove.gov*.

The CHAIRMAN. So *protectyourmove.gov*?

Ms. FERRO. Precisely.

The CHAIRMAN. I would much rather be reading that then a lot of these political, you know, Internet things you can dial into so they can get money from you.

Ms. FERRO. Thank you for that endorsement.

The CHAIRMAN. To try and help people.

Ms. FERRO. Thank you for that, and it is very helpful. Two very simple tools right there in addition to lots of information, a simple checklist of things to do before you select a mover and a very clear checklist of things you want to do to prevent being caught by a fraudulent mover.

So, we are absolutely committed, our team at FMCSA, and our investigators across the country that are specific to household goods investigations, and their partners. We are committed to pursuing through investigation, committed for pursuing through enforcement action and partnering with other agencies to prosecute those entities that are committing fraudulent practices against consumers, and ensuring the consumers have the tools they need to protect their moves. So, Mr. Chairman, thank you again for that time, and I look forward to the questions.

[The prepared statement of Ms. Ferro follows:]

PREPARED STATEMENT OF HON. ANNE S. FERRO, ADMINISTRATOR, FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION, U.S. DEPARTMENT OF TRANSPORTATION

Mr. Chairman, Senator DeMint, and members of the Committee, thank you for the opportunity to appear before you today to discuss the business practices in the household goods moving industry. The Federal Motor Carrier Safety Administration (FMCSA) takes very seriously its responsibilities to help protect consumers that utilize the services of the moving industry through its Household Goods Program, which is why we continue to educate consumers, build partnerships with States and other Federal agencies, and take necessary enforcement action on unsafe and non-compliant moving companies.

The primary mission of the FMCSA is to reduce crashes, injuries and fatalities involving large trucks and buses. FMCSA's 1,100 employees are responsible for monitoring the safety performance of over 525,000 active motor carriers, of which approximately 4,000 transport household goods. Additionally, the Agency is responsible for ensuring the compliance of over 21,000 brokers to the Agency's safety and consumer protection rules. Of these brokers, approximately 500 are household goods brokers. Each year, the Agency performs compliance reviews on about two percent of the motor carrier industry, which is about 16,000 compliance reviews per year. About 400 of these compliance reviews are performed on household good carriers, which is about ten percent of the household good carrier population each year.

Over the last ten years, the Agency has expanded its household goods program by establishing strategic partnerships with States and other Federal agencies, implementing a vetting program to catch unscrupulous carriers, and conducting enforcement actions on egregious offenders. Over time, FMCSA became aware that there were an increasing number of moving-related websites hosted by household goods brokers engaging in unfair business practices.

The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA–LU) directed the Agency to require a broker to provide shippers with specific information whenever it has contact with a shipper or potential shipper. The Agency included these requirements as part of the "Brokers of Household Goods Transportation by Motor Vehicle" final rule that became effective on January 28, 2011. This rule helps ensure that individual shippers who arrange for transportation of household goods through brokers receive necessary information regarding their rights and responsibilities in connection with interstate household goods moves. The rule requires all household goods brokers to: (1) provide customers with full disclosure that they are not motor carriers; (2) provide customers with the same "rights and responsibilities" documents that household goods motor carriers are required to provide; (3) display a U.S. Department of Transportation (USDOT) number on their advertisements and Internet websites; and (4) obtain a surety bond or trust fund of $25,000.

Core Priorities

The FMCSA has a number of initiatives and programs underway aimed at achieving our core safety and compliance mission. We have three goals that are the strategic framework and focus of our efforts and resources:

1. Raise the safety bar to enter the industry;
2. Require operators to maintain high safety standards to remain in the industry; and
3. Remove high-risk operators from our roads and highways.

Raise the Safety Bar

In April 2009, FMCSA implemented a vetting program to thoroughly review applications from household goods motor carriers, brokers, and freight forwarders before granting operating authority. The vetting process is an in-depth investigation of the applicant to determine if it is a reincarnated carrier, broker, or freight forwarder, or has affiliations with unsafe or non-compliant entities. The Agency compares information about the applicant to data in our Motor Carrier Management Information System, which contains an overall company profile, in addition to information on the safety fitness of commercial motor carriers and hazardous material shippers subject to the Federal Motor Carrier Safety and Commercial Regulations (FMCSRs & FMCCRs) and the Hazardous Materials Regulations (HMRs). It then investigates any red flags in new applications that may indicate an unscrupulous or unsafe carrier is attempting to reincarnate, or begin operations under another name. Since the inception of the program, the Agency has vetted and approved more than 2,400 applications of the more than 3,700 applications it has received. Of the remaining applications, approximately 700 were rejected and 500 were withdrawn.

The new surface transportation reauthorization law, Moving Ahead for Progress in the 21st Century (MAP–21), sets forth requirements that greatly improve the standard for entry into the industry. MAP–21 directs the Secretary of Transportation to issue distinctive registration numbers to a person for each authority they request to provide transportation or services such as brokering or freight forwarding. MAP–21 also increases the level of financial responsibility necessary to be registered as a broker, from $10,000 in surety bonds or other financial instruments to $75,000 in order to help address claims from failure to pay freight charges under a contract or agreement. Household goods motor carriers will also be required to successfully pass an examination to demonstrate knowledge of safety and consumer protection regulations before entering the industry.

Maintain High Standards

At FMCSA, we have implemented a multi-layered approach to improving the safety of commercial motor vehicles involved in transporting household goods across State lines, while also ensuring protection against moving fraud and abuses. The main components of our efforts to maintain high standards in the household goods industry are the National Consumer Complaint Database (NCCDB), the Top 100 Household Goods Prioritization list, and our hostage goods resolution program.

The NCCDB maintains complaint information regarding movers and passenger carriers. Complaints can be filed in one of two ways: (1) by calling our toll free hotline, and (2) by filing the complaint electronically on our Protect Your Move website.[1] The NCCDB database is an important tool to assist our enforcement partners combating rogue household goods motor carriers.

The FMCSA began capturing complaint data in Fiscal Year (FY) 2002 and received 1,973 complaints in that year. The complaints peaked in FY 2005 with 3,583 and they numbered 2,851 in calendar year 2011. While we track our progress in reducing complaints, we recognize that it is probable that complaints will increase as we increase our efforts to educate and outreach to consumers.

The Agency's household goods working group, which includes Federal and State enforcement officials, has established an informal "Contributing Partner" effort to assist our State enforcement partners in accessing the NCCDB to view or enter complaint data on motor carriers and brokers.

Remove Unsafe Operators

FMCSA has developed a number of enforcement tools to crack down on those carriers that violate the FMCSRs and the FMCCRs. We have implemented authority to remove from service motor carriers deemed to be unfit or declared an imminent hazard as part of our core safety program. Most recently, we expanded our efforts and established guidance and procedures to revoke the operating authority of motor carriers and brokers that continually violate the safety and/or consumer protection regulations. To combat the problem of hostage loads, we have put into place procedures to revoke the operating authority of those found to have committed violations. Finally, FMCSA is providing public notice this week alerting the household goods industry of our enforcement efforts to suspend or revoke operating authority when carriers either demonstrate a pattern of violating the commercial regulations or hold consumers' goods hostage.

Investigations of Motor Carriers and Brokers

FMCSA is well aware of the four motor carriers and brokers that are at the heart of your Committee's investigation. The Agency conducted a compliance review on Budget Van Lines in January 2011. While this investigation did not result in an enforcement action against Budget Van Lines, it did lead to an investigation of a series of household goods carriers working in concert with Budget Van Lines that were noncompliant with the household goods regulations. This investigation led the Agency to carriers in California, Florida, Georgia, Maryland, New Jersey, and New York and resulted in enforcement actions for violations of the household goods regulations on eleven motor carriers.

Based on complaints that we received, the Agency has also investigated Able Moving, Inc., and Best Price Moving and Storage, Inc. Able Moving's investigation resulted in an enforcement action for non-compliance with safety regulations while the investigation for Best Price Moving and Storage resulted in no enforcement actions. While Able and Best Price have been on the Agency's Top 100 Prioritization list in the past, currently, there is not enough data to place them on the list as a priority investigation. A preliminary review of Nationwide Relocation shows that the company started as a broker and then acquired motor carriers, many with records of

[1] *https://www.protectyourmove.gov/*.

non-compliance. The Agency is currently determining next steps, as a major investigation such as this requires FMCSA to balance this task with its core safety mission for a significant period of time.

Top 100 Carrier List

As discussed above, the Top 100 Household Goods Carrier list utilizes data from both our Safety Measurement System (SMS) and the NCCDB to rank household goods carriers according to their risk of commercial regulatory non-compliance.

The SMS utilizes violation data from roadside inspections and investigations, as well as crash data, to identify those carriers with the highest risk of crashes and compliance problems. This tool is the primary mechanism for FMCSA to prioritize carriers for safety interventions. The data in SMS, when linked with the complaints in the NCCDB, allow us to identify the 100 household goods carriers with the most significant safety and compliance problems to most effectively utilize our limited resources. These carriers are then targeted for reviews and enforcement, as appropriate.

In FY 2011, FMCSA conducted over 500 investigations of household goods carriers, resulting in approximately 200 enforcement cases. The Top 100 list in itself yielded an enforcement rate of nearly 50 percent clearly showing its effectiveness as a tool to help the Agency focus its limited resources on the most egregious of household goods motor carriers.

Hostage Loads

The FMCSA is also working hard to combat the problem of household goods carriers holding consumers goods and demanding additional payment. These situations, known as "hostage loads," are particularly egregious offenses on the consumer. Many consumers unwittingly fall prey to unscrupulous motor carriers who take advantage and exploit the consumer. Consumers also often hire moving companies with the lowest estimate, instead of confirming that the company is safe and has a good customer service record.

Consumers are often unaware of the regulatory requirements that are in place to protect them. Despite an increased focus in outreach, too many times consumers fall victim to rogue operators who are willing to disregard regulations. FMCSA attempts to address each and every hostage load complaint with some level of investigation which could include a full onsite investigation when necessary.

MAP–21 provided the Agency with important new tools to combat problems of hostage goods situations. Beginning October 1, 2012, FMCSA will have the authority to require the return of hostage goods loads to consumers and may also direct a portion of a civil penalty to reimburse consumers for their financial losses. FMCSA is beginning to implement these new authorities and believes they will provide further strength to our household goods program.

Reincarnated or Chameleon Carriers

It is a common practice in the motor carrier industry for some motor carriers to establish a new identity once FMCSA shuts the company down because it is not fit, willing, or able to comply with applicable safety regulations. The practice of reincarnating to avoid negative safety performance history or enforcement action causes an unacceptable risk of harm to the public because it hinders the Agency's ability to enforce Federal safety regulations and carry out its safety mission. A recent amendment to the Agency's Rules of Practice, effective May 29, 2012, provided procedures for the Agency to issue out-of-service orders and/or record consolidation orders when carriers are deemed to be reincarnated or affiliated companies that have been created to evade complying with an FMCSA order or a regulatory requirement, paying a civil penalty, or responding to an enforcement action to avoid being linked with a negative enforcement history.

The issue of reincarnated carriers among the household goods industry has become an increasing challenge. A recent investigation revealed a household goods motor carrier that was affiliated with several other entities that were all controlled by the same corporate officials. For each of these affiliated businesses, the NCCDB revealed numerous complaints. In an effort to address these types of issues, FMCSA is pursuing the affiliated motor carriers and it is considering the feasibility of suspending their operating authority.

Broker Activities

On January 28, 2011, FMCSA's new requirements pertaining to brokers who arrange for the transportation of household goods in interstate or foreign commerce went into effect. The rule requires, among other things, that when the Unified Registration System final rule becomes effective, all household goods brokers display a USDOT number on their advertisements and Internet websites. In an effort to facili-

tate this requirement in advance of the full compliance date, the Agency has already issued USDOT numbers internally to all brokers in the database.

The rule also provided regulatory authority to address many of the concerns that we commonly face with problematic or unethical brokers. For example, brokers are required to clearly state that they are not a motor carrier in their advertisements. This has been a consistent problem because unscrupulous brokers are aware that consumers prefer to deal with the motor carrier directly.

MAP–21 sets forth requirements for higher standards for compliance and gives the Agency additional tools for enforcement. It increases the registration requirements and directs the Secretary of Transportation to issue distinctive registration numbers to motor carriers, brokers, or freight forwarders. It prohibits a motor carrier from brokering transportation services from other motor carriers unless the motor carrier is also a registered broker. MAP–21 also provides effective periods for registration and requires a broker or freight forwarder to provide a minimum financial security of $75,000 dollars and to evaluate if that amount is sufficient every 5 years.

Outreach

Another layer in our multifaceted approach to increasing safety and consumer protection is the implementation of an aggressive outreach program. The cornerstone of this effort is the "Protect Your Move" website, which serves as a first line defense to protect the consumer. The site contains a wealth of information for consumers to use while planning a move as well as a variety of consumer protection bulletins, "The Moving Fraud Protection Checklist," and a public service announcement. FMCSA recognizes that those hiring moving companies are a diverse group—college graduates venturing into new careers, employees changing jobs, or individuals who are moving during retirement. The website targets materials for all these groups. Public awareness of the Protect Your Move website is building. During the first 9 months of FY 2012 (October 1 through June 30, 2012), there were over 6,300,000 website hits compared to approximately 3,600,000 during the same period in FY 2011. This represents a 74 percent increase. We understand that moving is a stressful time, and our goal at FMCSA is to ensure that the consumer is protected to the fullest extent.

The website also includes links to the NCCDB so that consumers can research registration status and complaint history of household goods motor carriers and brokers before hiring them. This database allows the consumer to review and examine the motor carrier's safety and complaint data. Other features on the website include: (1) a regulatory webpage for our enforcement partners and industry with appropriate Federal regulations and statutes; (2) a State and local government resource webpage offering information to the consumer whose problems are beyond FMCSA's jurisdiction; and (3) a summary of the new broker requirements.

Partnerships

To combat the problem of unsafe and rogue moving companies, FMCSA is constantly reaching out to Federal, State, and local law enforcement agencies to develop partnerships to enhance enforcement and combat consumer fraud.

As a result of discussions with the Government Accountability Office, FMCSA reviewed the Federal Trade Commission's (FTC) approach to consumer protection and is making changes in the interstate household goods consumer protection efforts to clearly articulate the Department's goal of ensuring consumer protection within its mission. These discussions led to the proposed sharing of FTC's investigative database, the "Consumer Sentinel Complaints Database." FMCSA also reviewed FTC's enforcement strategies and implemented collaborative efforts to provide outreach to inform consumers who contact FTC on household goods moving fraud.

A second relationship was forged with the Federal Maritime Commission (FMC) and a formal memorandum of understanding to formalize collaboration efforts on enforcement activities combating household goods fraud and unscrupulous motor carrier operations. This partnership allows FMCSA to be involved in enforcement on international movements of household goods. While this partnership is new, the Agency is eagerly pursuing opportunities to fight rogue motor carriers with the support of FMC.

Another Federal collaboration to combat fraudulent motor carrier operations is with the Office of the Inspector General (OIG). The OIG has been given access to FMCSA's complaint databases, and they are using the data to target motor carriers with numerous complaints of fraud. To date, the OIG has completed several investigations on motor carriers with fraudulent activities. The OIG recently used data from the NCCDB to conduct an investigation and indict a large motor carrier oper-

ation. Through our collaborative efforts, FMCSA assisted in the criminal case by providing expert testimony during the trial.

FMCSA also has an aggressive campaign to solicit full State law enforcement partners to work directly with FMCSA to enforce Federal commercial regulations within their jurisdictions. To facilitate this effort, FMCSA has provided numerous training opportunities to States that are interested in receiving household goods enforcement training. To date, Louisiana, Ohio, Indiana, California, New Jersey, Michigan, South Carolina, and Texas have received training on household goods enforcement. Of those States trained, Louisiana, Ohio, and Texas have signed memorandums of agreements—becoming full enforcement partners with FMCSA. As a result, each of these States may conduct household goods compliance reviews on interstate motor carriers. In accordance with the provisions of SAFETEA–LU, they will have the ability to retain the financial penalties from any pending enforcement action.

Household Goods Working Group

As outlined in SAFETEA–LU, the Agency established a working group of State attorneys general, State consumer protection administrators, and Federal and local law enforcement officials to enhance the Federal-State partnership on issues involving the interstate transportation of household goods. The statute further required that the working group make legislative and regulatory recommendations to the Secretary concerning enforcement efforts. The workgroup identified three priority areas for enhanced outreach coordination:

1. General Communication and Information Sharing;
2. Information Sharing Related to Federal Laws and Regulations; and
3. Enforcement-Specific Communication and Information Sharing.

To fully implement these goals, the Agency is continually engaging the enforcement community and providing updated regulatory, legal, and investigative information. As mentioned earlier, FMCSA has provided State Partners and Contributing Partners access to the NCCDB through the "Protect Your Move" website. The database allows partners to view household goods enforcement information that can benefit their investigations.

The FMCSA has issued a call for all States to become contributing household goods enforcement partners, which allows them access to the NCCDB to directly input complaints from consumers related to interstate moves.

Conclusion

Thank you for the opportunity to appear before you today. Over the last few years, FMCSA has made significant progress in executing its commercial enforcement program. We have a good program with limited resources. The goal of our dedicated staff and partners is to protect consumers and protect the highways. We are continuing to build on these successes and enhancing the program through data-driven decision making. We look forward to executing the provisions in MAP–21 that increase FMCSA's ability to raise the safety bar to enter the industry, require operators to maintain high safety and ethical standards to remain in the industry, and to allow FMCSA to remove high-risk operators from our roads and highways.

The CHAIRMAN. So do I, and thank you very, very much.

Ms. FERRO. Thank you.

The CHAIRMAN. Mr. Timothy Barry. We are very formal around here, we cannot call you by your first name or anything, okay.

STATEMENT OF TIMOTHY M. BARRY, PRINCIPAL ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS, U.S. DEPARTMENT OF TRANSPORTATION

Mr. BARRY. Thank you. Good morning, Chairman Rockefeller, and good morning, Senator Lautenberg.

Thank you for the opportunity to testify on our efforts to combat household goods fraud. While we have found that the vast majority of the Nation's household goods carriers are honest hardworking professionals, there are dishonest companies who operate with the sole purpose of illegally making as much money as they can from unsuspecting consumers. These companies not only afflict financial

and emotional pain on their victims, but they also give the moving industry a black eye.

My testimony today will focus on our experiences in investigating household goods fraud. In conducting these criminal investigations we have partnered with Federal and state law enforcement agencies, as well as FMCSA, with the hope of prosecuting as many of these rogue movers and brokers as possible.

OIG criminal investigations send a strong deterrent message to violators who consider civil penalties simply a cost of doing business. We currently have 1,400 open investigations involving companies operating under 108 different names, with more than 3,800 potential victims, and losses amounting to approximately $1.9 million in fraud.

The CHAIRMAN. I am interrupting, but the 108 different names, does that refer to the moving company that shows up, or is that the broker that does not show up?

Mr. BARRY. The moving companies.

The CHAIRMAN. Moving company, OK.

Mr. BARRY. Through our investigations, we have seen that these rogue companies do not discriminate in who they prey upon. Victims come from all walks of life and from most states throughout the country.

Their stories are fairly consistent. They search the Internet to find the least expensive moving company, they receive an estimate without anyone coming to their residence to inventory their goods, then on moving day, they are asked to sign a number of blank documents before any packing or moving begins. After their belongings have been loaded and driven away, they receive a call, telling them the price of the move is significantly more than originally quoted. We have seen inflated prices that exceed 500 percent of the original estimate.

Whether consumers deal directly with a mover or broker, the outcome is the same. Customers are told they can either pay the increased charges or their possessions will be sold at auction. The financial loss to our victims can be devastating. However, there is no dollar amount for the duress they feel in knowing that their worldly possessions may never be returned.

In our continuous efforts to fight household goods fraud, in March 2011, we launched Operation Boxed Up, a proactive initiative aimed at identifying unscrupulous movers.

By analyzing information provided by FMCSA, we identified the most egregious allegations of fraud and initiated a number of investigations. To date, our efforts have led to nine indictments, seven arrests, and eight search warrants.

These cases always have a very personal element to them. In one investigation, an elderly couple relocating from Colorado to Nevada contacted a moving company they found on the Internet, and received a quote of $1,340. On the moving day, while the movers removed the contents of their home, the husband was asked to sign blank documents that according to the mover gave them permission to move his household goods. When he tried to ask questions about the forms, he was told they would go over the paperwork later. After the contents of their home were on the truck and driven away, he was told the cost of the move would now be $7,400.

Included in their property, now being held hostage was his wife's wheelchair. When he asked about retrieving the wheelchair the owner of the rogue moving company stated, "You are not getting it, period." We later found out that the owner tried to sell the victims wheelchair, and he was also using some of the victim's personal items in his business.

To raise public awareness of these schemes we operate an OIG hotline to receive allegations of fraud. In addition to filing a complaint with the OIG, consumers may also file complaints with FMCSA, the Better Business Bureau, and their State Attorney General's office.

In closing, I want to assure you that protecting the American consumer from these greed-based schemes remains an OIG investigative priority, and that we will continue to work with Congress, the department, and other law enforcement partners, to identify and prosecute to the full extent of the law these rogue household goods movers.

Mr. Chairman, this concludes my prepared statement, I will be happy to address any questions you or other members of the Committee may have.

[The prepared statement of Mr. Barry follows:]

PREPARED STATEMENT OF TIMOTHY M. BARRY, PRINCIPAL ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS, U.S. DEPARTMENT OF TRANSPORTATION

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to testify on criminal fraud in the residential moving industry. We have investigated allegations of fraud in this area for over a decade and have found that while the vast majority of interstate household goods carriers are honest, there are dishonest companies and individuals who operate at the fringe of the industry and victimize the public. They do so with the sole purpose of illegally making as much money as they can from unsuspecting consumers by breaking the law and Federal regulations. We last testified before this Committee in May 2006 [1] and highlighted the problem of fraud perpetrated by rogue household goods moving companies. We appreciate this opportunity to update the Committee on our investigative work.

My testimony today will focus on our (1) household goods (HHG) fraud investigations, (2) proactive initiative "Operation Boxed Up," and (3) efforts to educate the public about HHG fraud. My statement is based on our completed and ongoing investigative work.

In Summary

Since 2006, we have opened 36 HHG fraud investigations. We currently have 14 investigations open involving companies operating under 108 different names, with more than 3,800 potential victims, amounting to around $1.9 million in fraud. The criminal conduct we have targeted through our investigations consists of holding a customer's household goods hostage while demanding significantly larger sums of money than originally quoted. In March 2011, we launched a national fraud project to proactively identify the most egregious consumer complaints involving hostage loads against HHG carriers and brokers. We focus, in particular, on groups of carriers and brokers that illicitly engage in hostage fraud schemes. In addition to filing a complaint through our agency Hotline,[2] available on our website, consumers can file complaints about improper HHG activities with the Federal Motor Carrier Safety Administration (FMCSA), the Better Business Bureau, and their State Attorney General's office.

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[1] OIG Testimony Number CC–2006–044, "Household Goods Moving Fraud," May 4, 2006. OIG investigative summaries and testimonies are available on our website: *www.oig.dot.gov*.

[2] The OIG's 24–7 Hotline number is 1–800–424–9071. Complaint forms and HHG fraud information for consumers are also available on our website under the Household Goods Movers portal.

Background

The Office of Inspector General (OIG) Office of Investigations (OI) conducts criminal, civil, and administrative investigations of allegations of fraud, waste, and abuse within the Department, its programs, and grantees. OI's investigative work is accomplished by criminal investigators assigned to regional offices around the country. Investigations are opened based on OIG priorities and procedures and in consideration of prosecutorial guidelines that the local United States Attorneys have established.

OI has four investigative priority areas:

Transportation safety investigations typically involve parties that violate criminal laws relating to the Department's statutes and regulations. These investigations include matters involving aviation safety, motor carrier safety, and hazardous materials.

Grant and procurement fraud investigations involve allegations of bribery and corruption, bid rigging, false claims, labor and materials over-charging, disadvantaged business enterprise fraud, and product substitution in connection with the Department's annual expenditure of nearly $64 billion on direct procurements and projects funded through grants.

Employee integrity investigations address a wide range of violations involving Department employees. These include time and attendance/travel voucher fraud, misuse of government property or funds, conflict of interest, ethics violations, and prohibited personnel violations.

Consumer and workforce fraud protection investigations help to protect American consumers and workers from fraud in connection with FMCSA regulatory programs, including household goods movers as well as shippers and cargo freight forwarders. Though FMCSA is responsible for the civil enforcement of the consumer protection and economic regulations governing the interstate transportation of household goods, OIG investigations—and resultant prosecutions—are separate from, but complement, FMCSA's regulatory enforcement programs. The availability of criminal sanctions sends a strong deterrent message to violators who consider regulatory/civil penalties simply a cost of doing business.

OIG Is Investigating Household Goods Hostage Fraud Complaints

Combating HHG fraud is an OIG investigative priority. Our investigations have targeted suspect HHG brokers and HHG carriers that hold customers' household goods hostage while demanding significantly larger sums of money than are legally permissible and much greater than the original quotes made to their customers. To carry out these crimes, perpetrators engage in illegal activity that includes extortion, conspiracy, wire fraud, mail fraud, money laundering, and falsification of bills of lading and shipment weight documents.

Our HHG criminal investigations are often conducted with Federal, State, and local law enforcement partners and with the assistance of FMCSA. The vast majority of the allegations against rogue HHG companies we investigate have come from FMCSA and our own proactive efforts to uncover these illegal and deceptive business practices. Several of our investigations have included the use of concealed recording equipment to monitor communications between victims and the owners and employees of unscrupulous carriers. We have also used undercover law enforcement personnel to pose as consumers. These investigative techniques have enabled us to identify and prosecute numerous violators. Despite these efforts, we continue to receive hundreds of complaints each year of allegations of HHG fraud.

The Fraud Scheme

Like most Americans, the victims are interested in getting the most for their money and frequently search the Internet to help them find the least expensive moving company. Though many of our cases involve the customer directly interfacing with the HHG carrier, some involve the use of unscrupulous brokers.

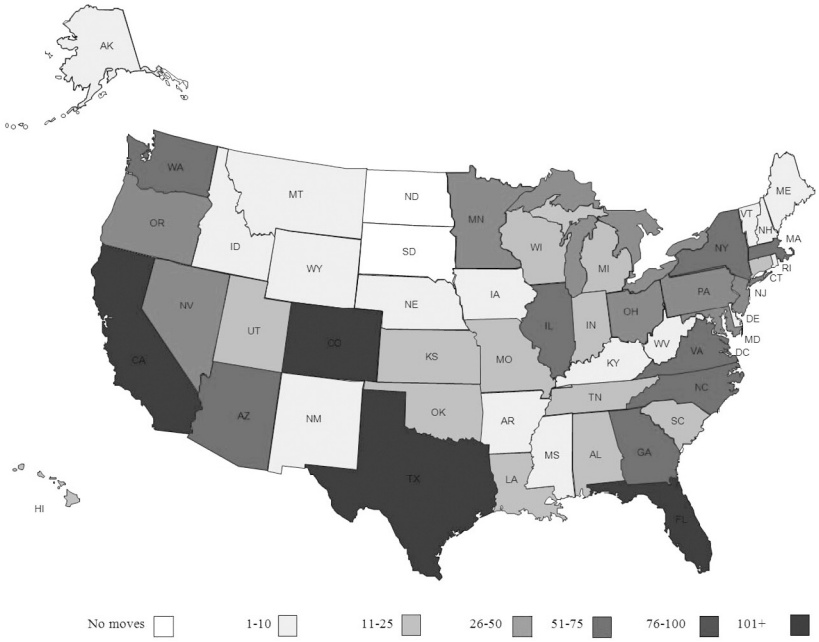
After finding a company on the Internet, the initial contact with the company—either an HHG broker or HHG carrier—is typically by telephone or e-mail. Almost universally, the rogue company provides a quote without conducting a physical survey to get the best estimate of what it will cost to move the customer's belongings. Instead, the types of quotes customers receive can vary; they may be given a verbal quote or a written, binding quote that most often contains significant details, in small print, about the quotes and services provided. The impact of HHG fraud can be felt across the United States, as shown in figure 1 on the next page.

Broker: Our investigations have shown that the dishonest broker, with full knowledge, provides customers a low-ball estimate knowing the carrier will grossly inflate

it once the goods are loaded on the truck. The broker will frequently keep a fee for booking the move usually obtained in the form of a deposit, taken from the customer up front. Because these brokers have companies that they frequently book loads for, they are familiar with their schemes and often receive phone calls from angry customers from whom the carrier is trying to extort additional money in exchange for releasing the HHGs.

Carrier: Once a carrier has received the brokered load and the hectic moving day arrives, the illicit moving company driver or foreman will aggressively attempt to compel the customer to sign a number of blank documents before any actual packing or moving begins. Our investigative work has shown that these blank forms are most typically revocations of prior agreements or estimates and contain revised estimates. Instead of deceptively compelling customers to sign blank forms, the driver or foreman should advise the customer before the move starts that the estimate is wrong and renegotiate a new estimate, as required by regulation.

Figure 1. States Impacted by HHG Fraud



Source: OIG Investigative Data

After the rogue moving company has the customer's belongings, someone from the moving company will tell the customer that there were more household goods than the customer had told the company estimator about. They may also tell customers that the weight of their belongings was far greater than estimated and/or that large quantities of packing materials were necessary. All of which caused the price of the move to be significantly more than the originally quoted price. This information is always provided before the customers' belongings are unloaded at their new residence. In most cases, victims are told about the price increase immediately after the goods are loaded on the truck or within a day or two after the goods have been driven away. Sometimes the customer is not informed until the driver arrives at the new residence. The victim is presented with the blank documents they signed before the goods were loaded onto the moving trucks, which are now filled out with the inflated price on them. The documents will also have the customer's signature, which indicates agreement to the price increases on the day the belongings were loaded on the moving truck. In nearly every situation, victims are told they can either pay the price or incur additional costs for storage, and if they fail to pay, their possessions, including the family's mementos, will be sold at auction. This form of extortion is one of the most heinous frauds we see.

Let me share with you several particularly egregious cases.

Egregious Case Examples

Santa Clara Investigation: Working with the Santa Clara District Attorney's Office, Monterey County District Attorney's Office, the Alameda County District Attorney's Office, and the Federal Bureau of Investigation (FBI) we participated in three interstate undercover operations to ferret out HHG moving companies with numerous complaints against them for holding customers' goods hostage until illegally inflated charges were paid. In one case, an undercover agent arranged for a move from Nevada to California and received a telephone quote of $1,461. After the goods were loaded, the undercover agent was informed that the move would cost $3,138, more than twice the original quote. Of the $1,677 in overages, $900 was for packing materials. In this case, felony complaints were filed in Santa Clara County, California, against the 10 individuals associated with the 4 targeted HHG carriers. Four of the defendants are fugitives, five are awaiting adjudication, and one pleaded guilty and was sentenced to 4 years of probation.

Kasprowicz Investigation: Our investigations of HHG fraud also led to the prosecution of Lester C. Kasprowicz of Oregon, who was notorious for giving misleading or false estimates and holding customers' goods hostage until the customer paid the inflated amount.[3] For example, a U.S. Navy officer contacted one of Kasprowicz's companies, which she found on the Internet, to arrange for a move from Oregon to Hawaii, where she was transferred after a tour of duty in Iraq. Once she was in Hawaii, after her belongings were loaded on the moving truck and taken away, she contacted the moving company about delivery and was told that she should send a money order for the full balance of her move after which her goods would be delivered. Shortly after mailing the money order for $2,131—the quote she received over the telephone—the moving company told her that due to the weight of her goods, the price of her move had increased an additional $3,246, and she needed to send that amount before her goods would be delivered. She subsequently mailed them the additional money.

Three months after her initial move, she received one of the two pallets of household goods from DHX, a company Kasprowicz had contracted with to actually ship her goods. However, Kasprowicz had never paid DHX for the shipment so she was unable to get the rest of her belongings until she settled the balance of the unpaid bill. Our investigation identified a total of seven victims who were collectively defrauded out of $9,691. Kasprowicz was convicted on mail fraud charges in connection with his HHG fraud scheme and sentenced to 33 months in prison, 5 years of supervised release, and payment of $9,691 in restitution.

AY Transport (Carrier) and National Moving Network (Broker) Investigation: Our HHG investigations also led to the indictment of 14 individuals associated with AY Transport, Inc.[4] and National Moving Network (NMN)[5] in U.S. District Court, San Jose, California, on charges of extortion and fraud upon consumers in residential moves.

In this case, NMN brokered moves for other moving carriers and customarily provided fraudulently low quotes over the telephone to customers. NMN management often held meetings with sales representatives to discuss ways to manipulate the bidding process to ensure customers received these low quotes and agreed to do business with the company. Because sales representatives received commission based on the number of quotes accepted by customers, they actively participated in providing the fraudulently low quotes. In addition to providing customers with artificial and fraudulently low quotes, it was common knowledge among the sales representatives that the majority of the business was directed to AY Transport. The sales reps were aware that once AY Transport took possession of the customers' household goods, they habitually and systemically demanded amounts up to four times over NMN's original quote.

In one such move, a family found NMN on the Internet and contacted them to arrange a move from California to Alabama, a relocation made necessary due to a new job. After describing the contents of his home, the customer received a telephone quote of $1,400 and gave NMN a $500 deposit. On moving day, AY Transport showed up and took possession of the family's household goods, and the customer paid the driver around $900. After arriving in Alabama, he called NMN numerous times to arrange delivery of his possessions. Eventually, he spoke to an AY Transport employee who told him that if he wanted his goods delivered he needed to pay

[3] Kasprowicz was previously prosecuted for operating over a dozen rogue HHG moving companies and violated Federal and State Permanent Injunction Orders prohibiting him from doing business in the household goods arena.

[4] Also known as Progressive Van Lines and Midwest Relocation Services.

[5] AY Transport was a moving company based in San Jose, California; NMN was a moving broker in Miami, Florida.

an additional $1,600 to cover costs associated with extra boxes, fuel, delivery fee, and storage, which, ironically, the employee said was necessary because the company could not get in touch with him to arrange delivery. Because AY Transport was holding the family's possessions hostage, the victim's children and pregnant wife had to sleep on the floor. The victim was forced to pay the additional fees and had to drive 4 hours to retrieve the family's goods himself.

To date, our investigation of AY Transport and NMN has uncovered over 1,000 victims with a loss of just over $1 million. Thus far, 9 of the 14 defendants have pleaded guilty, 1 has accepted a pre-trial diversion, and 3 are fugitives. One defendant recently went to trial, but the jury was unable to reach a verdict. Of those defendants who have pleaded guilty, five have been sentenced and ordered to pay restitution of over $32,000.

OIG's "Operation Boxed Up" Aggressively Targets Complicit HHG Carriers and Brokers

In recognizing the significant, negative impact that rogue HHG motor carriers and brokers can have on our Nation's consumers and workforce, our office developed a strategy to focus our investigative resources in this area of fraud. In March 2011, we launched "Operation Boxed Up," a proactive, cooperative initiative aimed at removing unscrupulous HHG movers before they further victimize American consumers. By analyzing databases from FMCSA's HHG regulatory program, we identified the most egregious hostage load complaints consumers filed against HHG carriers and brokers. We focused, in particular, on groups of interrelated carriers and brokers engaged in hostage fraud schemes.

When we formally kicked off Operation Boxed Up, we held a joint training session with FMCSA, emphasizing the importance of OIG–FMSCA cooperation to target those who prey on the trust of unsuspecting consumers. The training was a venue for information sharing, with FMCSA speaking in detail about how a moving company typically perpetrates household goods fraud and the information available to the OIG through FMCSA's databases. OIG agents talked about recent successful investigations of fraudulent movers. Staff from both agencies learned a lot about their mutual capabilities and expertise relating to HHG fraud.

Approximately half of our open HHG investigations are from our Operation Boxed Up data analysis project. Through this initiative we have executed eight search warrants and made seven arrests. Further, nine individuals have been indicted in connection with these fraud schemes. Our investigations continue to identify unscrupulous fraudsters who prey on individuals unfamiliar with the moving industry rules and regulations.

Cases identified through Operation Boxed Up include the following:

Operation Boxed Up Case Examples

New York Search and Arrest Warrants: We executed a Federal search warrant and arrested three officials of companies that had a pattern of providing customers at or below market value estimates and then substantially increasing them after the contents of the customers' homes were loaded on the companies' trucks. Specifically, the company officials provided customers a verbal quote of $2,000 to $3,000, then raised the costs several thousand dollars, demanding full payment prior to delivery; if payment was not received, they threatened to auction off the property.

In one such case, a customer was quoted a price of $1,056 for a move from North Carolina to Texas based on an itemized list that she prepared and e-mailed per the company's instructions and an approximate weight of 2,000 pounds. The customer was also told that she would receive 25 large packing boxes for free if she hired the company. She subsequently agreed to the terms of the quotation and provided a small credit card deposit to the company.

However, on the day of the move, after her household goods were loaded on the truck, she was told that the cost of the move would increase to over $5,700 based on cubic feet. In response, the victim demanded the company representatives unload and put the items back in her house. The representatives then told her that the price would likely decrease once her household goods were weighed. Feeling backed into a corner, she allowed the company to drive away with her possessions. Ultimately, the price did not decrease and the victim's credit card was charged over $5,700.

During our investigation into this company and its many victims, OIG agents used electronic monitoring equipment, which captured company representatives telling victims that if they failed to pay additional charges, their goods would be auctioned.

FMCSA has received over 100 complaints against the subjects of this investigation. The potential fraud amount is as high as $250,000.

Colorado Indictments: Another Operation Boxed Up investigation led to the indictment of the owners and two employees of two related moving companies on charges associated with hostage HHG schemes designed to unjustly enrich the owners of the companies. This scheme involved HHG brokers (or companies representing themselves as HHG brokers) luring customers by offering extremely low moving estimates, transferring the brokered loads to the unscrupulous carrier or one of its affiliates, and taking possession of customers' household goods. The mover would then significantly increase the price and withhold delivery of the household goods until the customers paid the fraudulently inflated price. In addition, customers were threatened that if they refused to pay, their household goods would be auctioned.

In one such case, an elderly couple relocating from Colorado to Nevada because of the wife's poor health contacted a trucking company, found on the Internet, which acted as an HHG broker but was not registered with FMCSA as either an HHG broker or carrier. The customer was provided a $1,340 estimate and paid a $260 deposit. On moving day, while the movers started moving the contents of his home, an employee of the moving company had the customer sign documents that "gave them permission to move his household goods." When the customer tried to ask questions about the forms, the mover told him they would go over the paperwork later. After his property was loaded on the truck, the mover provided copies of some of the signed documents but many, including a Revised Written Estimate, were blank.

Later that day, after the contents of the his home had been loaded on the truck and driven away, he was told that the cost of the move would now be around $7,400—more than a 500-percent increase. Included in the goods being held hostage was the customer's wife's wheelchair, which the owners of the HHG carrier flat out refused to release, saying "you are not getting it, period" or any of the other property until the extortionate revised cost of the move was paid. We later found out that the owner of the moving company was using this victim's computer and his flat screen television in the business.

OIG's investigation of these complicit companies has identified 36 victims to date, with an approximate loss of around $126,000.

Texas Indictments: Another Operation Boxed Up investigation led to the indictment of three individuals posing as legitimate moving companies on State of Texas deceptive practices charges. Between May 2009 and January 2012, the three engaged in a number of typical hostage HHG fraud schemes designed to unjustly enrich themselves.

In one case, a single mother of two young children, was quoted a price of $39 per hour for an intrastate moving job that ended up taking just less than the agreed to minimum of 3 hours. When the movers arrived at the customer's new home, she was told she owed $3,908 in cash; $3,000 of the charge was for bubble wrap. Because she did not have the cash, everything the mover loaded in the truck has yet to be returned.

In another case, a customer was told an intrastate moving job would cost approximately $400. After the contents of his home were loaded on the truck, the customer was told he would have to pay $5,000 to get his possessions back. The victim still has not received his goods.

The investigation has revealed a total of 46 individuals that have been defrauded by this group, with a total fraud amount of $244,206.

OIG Has Raised Public Awareness

Based on our experience working HHG fraud investigations, we have identified the following red flag indicators for consumers.

- The company's website has no local address and no information about its FMCSA registration or insurance.
- When you call the mover, the telephone is answered with a generic "Movers" or "Moving Company," rather than the company's name.
- The mover does not offer or agree to an onsite inspection of your household goods, gives an estimate over the telephone or Internet—sight unseen—and does not provide you with either a "binding" or "non-binding" written estimate. These estimates will often sound too good to be true, and they usually are.
- The mover does not provide you with a copy of "Your Rights and Responsibilities When You Move,"[6] a booklet movers are required by Federal regulations to supply to their customers in the planning stages of interstate moves.
- The moving company demands cash or a large deposit before the move.

[6] *https://www.protectyourmove.gov/consumer/awareness/rights/rights.htm*.

- On moving day, a rental truck arrives rather than a company owned or marked fleet truck.
- On moving day, the moving truck driver or foreman will try to get you to sign blank documents before beginning to load your goods. Never sign blank forms, and read what you sign.

Conclusion

In closing, I want to assure you that we remain committed to protecting the American consumer from these greed-based schemes by continuing to work with Congress, the Department, and other law enforcement partners to identify, investigate, and prosecute rogue HHG movers to the fullest extent of the law.

In the very near future, OIG will unveil a 'most wanted' Web page that will identify defendants charged with transportation-related crimes (including hostage goods fraud) and who have fled the court's jurisdiction and/or the United States, rather than face prosecution or serve a sentence. Similar to FBI's list of most wanted, we encourage the public not to attempt to apprehend any of these individuals, rather they should notify us with information they have which might help bring these fugitives to justice.

Mr. Chairman, this concludes my prepared statement. I will be happy to address any questions you or other Members of the Committee may have.

The CHAIRMAN. Thank you very, very much.

And, we now go to Reana Kovalcik.

STATEMENT OF REANA KOVALCIK, CONSUMER

Ms. KOVALCIK. Thank you, Chairman Rockefeller and Senator Lautenberg, for inviting me to speak today about movers and brokers who engage in these fraudulent practices.

My name is Reana Kovalcik, and I am originally from Chicago, and now living in New York. I am 28 years old and I work for a non-profit organization in New York City.

In March 2010, my boyfriend, Ross Heron, and I began a process of arranging a move from Chicago to New York. At the time, I was already living in New York, having moved in September 2009, to attend graduate school. In March 2010, Ross was able to join me, and begin moving the remainder of our apartment, mostly our large goods.

When we began the search for a mover, price was the most important factor. Ross was still completing his graduate degree and I was only working part-time in New York City. In our previous moving experiences, which we had many, we had always rented our own truck, and hired movers to load and unload us. It was a simple process which we felt pretty comfortable.

This is our first time moving between states however, and we were not familiar with the process of interstate moving or the companies who undertook interstate moves.

Using online search engines and a moving company search site called *vanline.com,* we looked for companies that are based in Chicago that could do an out of state move for us, and compared the prices. All of the companies, whether it be an online form or over the phone, asked how many rooms we had, and roughly the size and the weight of our belongings.

We received quotes from four companies, ranging from $950 to $2,000. The most expensive was an in-person quote, given after a site visit, the only one who gave a site visit. We also priced out the cost of moving ourselves, via U-Haul, which was roughly $876 for the truck alone.

After assessing all of the quotes, we decided that $950 was still more than we wanted to pay and that we would move ourselves with the U-Haul rental truck. We gave our response to all four companies. Only World Wide Van Lines responded with a new offer, offering $898, approximately $100 less than their original quote of $999.

Since we would have to deal with finding people to help us in both Chicago and New York and making a cross-country move in the truck ourselves, if we did the U-Haul option, we decided to go with World Wide Van Lines. We paid World Wide an original deposit of $198.95 online with our credit card, and scheduled the move for April 10, 2010. The remainder of the payment was to be paid when our items were delivered to our new apartment in New York City.

At no point in our correspondence with World Wide did they indicate that they were a broker. It was also not outlined in any of the materials or e-mails we exchanged with them. It was not until the movers on moving day were over five hours late for the original loading time that we finally reached World Wide over the phone, who then told us that they would not be moving us, but a company called Able Moving was supposed to arrive.

Had Able Moving been part of our original search, we would never have selected them. A cursory Internet search of their name brings up terrible reviews across several rating agencies. However, since we had virtually no say in who was moving us, having thought we were contracting with World Wide, we accepted that this company was going to be doing our physical moving.

Once the Able Movers arrived, our belongings were loaded into their truck, having them pre-packed by us. Ross was given and signed a bill of lading, which confirmed the original estimate given to us by World Wide, and left a space for any moving materials needed, of which we used none, because we packed everything in advance. The guaranteed delivery date given to us by Able was Wednesday, April 14, 2010.

After our move date had come and gone with no contact from or ability to contact Able Moving, we finally received a call from an Able representative on Thursday, April 15, telling us that our belongings would not be delivered until Saturday, April 17, and that we now owed $2,000. Able claimed that we were being charged for packing materials, of which we had not used any, and for the additional weight of the truck. Although we asked for a re-weigh, which we had determined we were legally entitled too, we were never provided with the actual weight of our items.

We attempted to reason with Able and negotiate the delivery of our belongings, but were met only the verbal abuse and demands for the money. We finally consented to pay the $2,000 upon delivery, the Able movers showed up in an unmarked truck, supposedly containing our belongings, on April 18, 2010. The movers demanded cash on delivery, but were unable to provide us with contracts or any new documents that justified this new amount.

When we first were notified by Able of the new charges, we had contacted the police for advice. They suggested we call them when the movers arrive in case there were any problems. Because the movers had brought no new documentation and were being ex-

tremely hostile, we called the police. Before they arrived however, the movers took off in the truck with our belongings.

The story takes many twists and turns from there, which I have included in my longer, full-length statement for the Committee. In the end we had to pay $2,434 in ransom payments to Able Moving to negotiate the release of our belongings, a majority of which we eventually found to be lost or stolen, totaling roughly $10,000 in loss and damages.

Factoring in the cost of our original deposit with World Wide, and the cost for us to rent another truck, and then hire new movers to help us unload, what was supposed to be an $898 dollar move, cost us roughly $3,000 in fees and over $10,000 in loss and damages.

While it took over 3 months from our belonging to be moved from Chicago to New York, this ordeal has stretched out over 3 years, since I am here today. We filed paperwork with every agency we could think of, including the Federal Department of Transportation, the Illinois Attorney General, the Chicago Department of Business Affairs and Consumer Protection and the U.S. Department of Justice. I did do my homework.

To date, only the Chicago Department of Business Affairs has pursued our case. After an October 13, 2010 hearing at which I testified, they ruled that Able Moving was responsible for $34,040 in fraudulent business practice fines, and $3,332 in restitution to Ross and myself. However, the Chicago Department of Business Affairs was never able to collect from Able Moving, and we have yet to receive any compensation from the case. We were finally able to recover $3,770 through our renters insurance, but this cannot replace many of the sentimental items we lost, and does not come close to the $10,000 in total damages.

Throughout this process, I have been continually surprised and disappointed at the lack of legal recourse we have had. The police did not want to help us, and mostly the other agencies or offices we contacted were not willing or not able to assist us.

If it had not been for my experience working in local government, we might never have had traction with the Chicago Department of Business Affairs. Because I had the necessary knowledge to realize the importance of filing complaints with all of the aforementioned agencies, I stand before you today to relay this story. However, it is my personal opinion, as I have sought out and spoken to other victims of this type of fraud, there are countless other people who did not have this knowledge and whose stories likely remain unreported.

Thank you. [The prepared statement of Ms. Kovalcik follows:]

PREPARED STATEMENT OF REANA KOVALCIK, CONSUMER

Thank you, Chairman Rockefeller, Ranking Member Hutchison, and Senator DeMint for inviting me to speak with you today about my experience with moving carriers and brokers who engage in fraudulent business practices, changing agreed upon rates and in some cases, like mine, holding goods hostage and extorting exorbitant fees for their return. My name is Reana Kovalcik and I am originally from Chicago, now living in New York City. I am 28 years old and work for a non-profit organization focusing on curbing childhood obesity.

In March of 2010 my boyfriend, Ross Heran, and I began the process of arranging a move from Chicago to New York City. At the time, I was already living in New York, having moved in September of 2009 to begin graduate school. In March 2010,

Ross was able to join me and move the remainder of our apartment. When we began the search for movers, price was the most important factor. Ross was still completing his graduate degree in Digital Cinema, and I was only working part time in New York. In our previous moving experiences we had always rented our own truck and hired movers only to load and unload; it was a relatively simple process and one with which we felt comfortable. This was our first time moving between states, and we were not familiar with the companies who undertook interstate moves or the process of an interstate move. Using online search engines and a moving company search site called *Vanline.com,* we looked for companies that were based in Chicago that could do an out of state move and compared their prices. All of the companies, whether via online form or phone conversation, asked how many rooms we had and roughly the size and weight of our belongings. We received quotes from four companies. The quotes ranged from $950 to $2,000. The most expensive was an in-person quote given after a site visit. We had also priced out the cost of moving ourselves via U-Haul, which was roughly $876 for the truck alone.

After assessing all of the quotes, we decided that $950 was still more than we wanted to pay, and that we would move ourselves with a U-Haul rental truck. We gave our response to all four companies. Only World Wide Van Lines responded with a new offer, offering $898, approximately $100 less than their original estimate of $999. Since we would have to deal with finding people to help us both in Chicago and NYC as well as making the cross-country drive in the truck if we went with the U-Haul option, we decided to go with World Wide Van Lines. We paid World Wide an original deposit of $198.95 online with our credit card and scheduled the move for April 10, 2010. The remainder of the payment was to be paid when our items were delivered to our new apartment in NYC. At no point in our correspondence with World Wide did they indicate to us that they were a broker. It was also not outlined in any of the materials or e-mails we exchanged with them. It wasn't until the movers were over 5 hours late for the original loading time that we reached World Wide over the phone, who then told us that they would not be moving us, but that a company called Able Moving would be.

Had Able Moving been part of our original search for companies, we would never have selected them. A cursory Internet search of their name brings up terrible reviews on several rating agencies. However, since we had virtually no say in who was moving us, having thought we were contracting with World Wide for the move, we accepted that this was the company who would be doing the physical moving. After the Able movers finally arrived at our apartment, World Wide was no longer in the picture and things began to fall apart.

Once the Able movers finally arrived, our belongings were loaded into their truck, having been pre-packed by us. Ross was given and signed a Bill of Lading, which confirmed the original estimate amount given to us by World Wide and left space for any additional moving supplies needed—of which we used none. The "guaranteed delivery date" given to us by Able Moving was Wednesday April 14, 2010. After our move date had come and gone and with no contact from or ability to contact Able Moving, we finally received a call from a Ms. Tracie Terman (Able Representative), on Thursday, April 15 telling us that our belongings wouldn't be delivered until Saturday, April 17 and that we now owed $2,000. Able claimed that we were being charged for packing materials, of which we used none, and for the additional weight of the truck. Although we asked for a reweigh of the truck, to which we had determined we were legally entitled, we were never provided with the actual weight of our items. We attempted to reason with Able and negotiate the delivery of our belongings, but were met only with verbal abuse and demands for the money.

When we finally consented to pay the $2,000 upon delivery, the Able movers arrived in an unmarked truck, supposedly containing our belongings, on April 18, 2010. The movers demanded cash on delivery, but were unable to provide us with contracts that justified the new amounts. When we were first notified by Able of the new charges we had contacted the police for advice, who suggested that we call them when the movers arrived in case there were any problems. Because the movers had brought no new documentation and were being extremely hostile, we called the police. Before they arrived, however, the movers took off in the truck with our belongings. Worried that we would never find our belongings again, Ross attempted to follow the vehicle to ascertain the location to which our items would be taken. Although the Brooklyn police called the drivers, were able to speak with them and instructed them to return to the house, they never did so. The drivers drove around New York City for several hours and then into New Jersey.

The drivers were pulled over in Little Falls, New Jersey after Ross called 911 and reported the license plates. The officer on the scene spoke with the truck drivers and instructed them to give Ross the location of the storage unit where we could pick up our things. They told police they would do so, and told us they would be

taking our things to a facility in Pennsylvania and that Able would contact us with the storage location. We then arranged with Ross' family to meet us in Pennsylvania so that they could help us load the storage unit. However, after we had already arrived in Pennsylvania, we were informed by the Able representative that the location had been a false one and that our things would be in storage in an undisclosed location until we wired money into their bank account.

Not willing to wire the money to a company we had by then realized was running a scam, we requested that our family lawyer (Matt Kovalcik) deliver the demanded amount to Able so that we could obtain our things. We acquiesced to paying this amount, seeing no other recourse, so that we could receive our belongings and pursue legal action against Able afterward. When Mr. Kovalcik attempted to deliver the check in person, we discovered that Able has no physical presence in Chicago, although they claim to be a Chicago-based business. Their advertised address, 730 W Lake Street, is only a mailbox. Several other addresses we found for the business proved to be residential units. During this time we had also been working with the local Chicago Alderman, Scott Waguespack, in whose district one of the Able addresses was located. Alderman Waguespack was able to confirm that the secondary address we had found for Able was a condo building.

Since Able had again ceased taking our calls, I attempted to reach them by calling from a new number so we could ascertain just where the company Able Moving LLC was located. The Able representative answered the call from the unrecognized number and disclosed to me (without at the time knowing my name or relationship to Mr. Heran) that there was in fact no actual company in existence in Chicago. She told me that all Able employees work from home and that she operates the company from her home in Naperville, IL. At this point in time we began working with Alderman Waguespack to file a case against Able with the Chicago Department of Business and Consumer Affairs for fraudulent business practices. Eventually our lawyer, Matt Kovalcik, was able to convince the Able representative to meet in person on April 21, 2010 so that we could deliver the demanded amount and receive the location where our belongings were being held. Mr. Kovalcik, and my mother, Juliana Kovalcik, met the Able representative in Aurora, Illinois and gave her a money order for $2,434.34 in exchange for the address and storage key where our belongings where being held, which turned out to be a Public Storage facility in New Jersey.

Upon receiving the storage key a few days later in the mail from my mother, Ross and I had to rent another moving truck and drive to New Jersey to load our things. After opening the storage unit we found that our things had been smashed and thrown together; almost all of our furniture had been destroyed beyond repair. Several other items were also damaged or destroyed including framed artwork. We found that Able had removed the protective packaging in which we had wrapped our furniture and that many of our boxes had been opened and the contents thrown into boxes labeled Able Moving, LLC. We also found several empty boxes, which were full of our protective packing material that they had stripped off. We believe the items were repackaged to justify the fraudulent copy of our Bill of Lading, which our lawyer was given during the money exchange.

The contracts, copies of which are included in my supplemental materials, were filled in with additional charges *after* Mr. Heran had signed them. Since we never received an original, a carbon copy, or even a scanned copy (until much later) we were unable to effectively fight the charges. What you may note, even from the scanned copy, is that Mr. Heran's signature is clearly in a pen type that does not match the rest of the document, while the date was filled in by another party. None of the materials charged on the scanned contract were on the original contract signed by Mr. Heran.

After unpacking our things and assessing our damages from the New Jersey facility we realized that many of our things are missing still missing. After several calls and e-mails again to the Able representative, we finally reached her and were told that "12 or 13" of our boxes never left Chicago. The Able representative claimed on the phone that these items would be returned to us without charge. On April 29 we were told via e-mail that the items would arrive within a week, on May 5 we received another e-mail saying the items were still five days out. Later that week we finally received our second shipment of goods, in another unmarked truck. These boxes were also damaged and as we unpacked them we confirmed that a large quantity were still missing, with many of our most expensive goods stolen.

In our final assessment we estimate that approximately $10,000 of goods were missing/stolen, or damaged beyond use, in addition to the many sentimental items that were damaged or missing. Although it took over three months for our belongings to be delivered, this ordeal has stretched out over almost three years. We filed paperwork with every agency we could think of, the Federal Department of Trans-

portation, the Illinois Attorney General, the Chicago Department of Business Affairs and Consumer Protection, and the Department of Justice. To date only the Chicago Department of Business Affairs has pursued our case, and after an October 13, 2010 hearing, at which I testified, they ruled that Able was responsible for $34,040 in fines and $3,332.00 in restitution to Ross and me. However, the Chicago Department of Business Affairs was never able to collect from Able Moving and we have yet to receive any compensation from the case. We were finally able to recover $3,770.63 through our renter's insurance, but this can't replace many of the sentimental items that were lost.

Throughout this process I have been continually surprised and disappointed at the lack of legal recourse we have had. The police did not want to help us and most of the other offices or agencies that we contacted were not willing or able to assist us. If it hadn't been for my experience working in local government we might never have had any traction with the Chicago Department of Business Affairs. Because I had the necessary knowledge to realize the importance of filing complaints with all the aforementioned agencies, I stand before you today to relay this story. However, it is my personal opinion, as I have sought out and spoken to other victims of this type of fraud, that there are countless other victims who did not have this knowledge and whose stories likely remain unreported.

The CHAIRMAN. Well that was both a moving experience, and a moving experience.

Before I go to you Ms. Darr, Senator Lautenberg has really, really been good on this subject, and he was detained. Would you object if he had an opening statement to make?

Ms. DARR. No sir.

The CHAIRMAN. Thank you.

Senator Lautenberg.

STATEMENT OF HON. FRANK R. LAUTENBERG, U.S. SENATOR FROM NEW JERSEY

Senator LAUTENBERG. That is putting a vice on me. Thank you very much, Mr. Chairman, and thank you Ms. Darr.

I listened with interest of course, but amazement as well, because at a moving moment in a family's life, there is always some confusion, there is often all kinds of emotional things, and for these companies to take advantage of people at that time is just something that ought not to be ignored.

I do not know whether, Ms. Ferro, whether these complaints are frequent. Have we identified the movers who are most frequently cited? Because, there are things we can do out of your department that maybe should have a form that gets filled out and certified before—and not certified, that gets to be cumbersome, but at least there in writing.

And, also it would be a good idea for the perspective victims to be a little cagey and say, "I want you to know, Mr. So and So, that I am recording our discussion, or I will insist on a duplicate being sent over that I can send on to the appropriate people," to at least start letting these guys know that you are not just going to sit there and take it.

Every year, 35 million Americans move to a new home. Many of these families need help moving their household goods, and so they hire a moving company. The companies are often entrusted with the families' most treasured possessions. So, we expect them to be professional, do their jobs, honestly.

Most movers are honest, but this Committee's investigation has revealed that enough are not, that it warrants our attention. Unscrupulous movers devise ways to cheat unsuspecting customers.

The most common obviously is for companies to give a lowball estimate for the cost of the move, and then after they have got the families' property, as we have heard from you, Ms. Kovalcik, you were chasing your property around town, or around states. It could not have been very pleasant.

So, once they have your property in their possession, then the demands I guess get more rigid and more defiant, and the fact they hold a families property hostage, everything from valuables, to priceless keepsakes.

The Committee investigation found that some Internet moving brokers, the middle men that connect consumers and moving companies, make a bad problem even worse. These Internet brokers are misleading customers by giving impossibly low estimates, tacking on, and you have confirmed it, all three of you, tacking on hidden fees and leaving customers with no options when the moving company demands more money. They are serious problems.

There have been more than 10,000 complaints from consumers, since 2005. These complaints tell the story of families left without access to their possessions, with goods that are lost or damaged, or with thousands of dollars extra in fees, and who knows what items might be missing at a moment of delivery that you cannot find a place where suddenly they were no longer available.

So, to better protect consumers, I was proud to author provisions in the recently passed Surface Transportation Bill, with the help of the Chairman, to require the return of the consumers goods, permit penalties collected from the companies to be given to consumers, and add new requirements for brokers.

Unfortunately, bad actors will always seek a way to exploit the system. So, we have got to continue to adapt, stay one step ahead of them, and let them know we are interested. There ought to be some kind of a telltale place that people can go, and just get a little bit of information about beware or be careful, if moving this is what you have got to be aware of. So, thank you all, and I look forward to hearing the rest of our witnesses.

Mr. Chairman, I thank you very much for that.

The CHAIRMAN. Thank you, Senator Lautenberg.

And, Ms. Kovalcik you should know that he represents the state of New Jersey, which is not far off. I do not think he is going to give you his telephone number, but you got a friend in the neighborhood.

Senator LAUTENBERG. I did not like the fact that this one outfit took the goods to New Jersey, and that is not a very good reputation to have going to New Jersey, the most crowded state in the country, you may see your goods there. Thanks, Mr. Chairman.

The CHAIRMAN. I want to thank Ms. Darr for being patient, and I appreciate it, and we appreciate your testimony.

STATEMENT OF LINDA BAUER DARR, PRESIDENT AND CEO, AMERICAN MOVING AND STORAGE ASSOCIATION (AMSA)

Ms. DARR. Thank you, Chairman Rockefeller, and thank you, Senator Lautenberg. I am pleased to be here today to testify on behalf of the American Moving and Storage Association concerning consumer abuses by criminals posing as legitimate movers. We do not call them movers; we call them rogues.

Although the vast majority of interstate household goods moves are performed without major incident rogues can, and do, take advantage of their unique position of trust to rob consumers. When this occurs, the harm to consumers can be substantial.

I would like to focus on what AMSA is doing to combat this problem and what we think should be done by Congress and the FMCSA. AMSA is the National Trade Association for the moving and storage industry representing more than 4,200 interstate moving and storage companies, local movers, international movers, industry suppliers, and state associations.

AMSA is taking proactive and effective action to help protect the public by ensuring that its members adhere to a strong code of conduct. Under AMSA's ProMover Program, we annually review performance of our members and terminate the membership of companies that engage in repeated violations of our code of ethics, or the FMCSA/STB regulations, or that have a pattern of unresolved consumer complaints. We are so serious about this that we expelled over 200 members in the first year of our ProMover Program.

Another valuable consumer protection program, MoveRescue, was initiated by an AMSA member, Unigroup, in 2003. MoveRescue provides free advice and assistance to consumers having problems with household goods moves. Many of these callers have been victimized and need immediate assistance to recover their wrongfully held possessions. The program features an educational website, toll-free nationwide hotline staffed by knowledgeable representatives, and access to a nationwide network of pro bono transportation attorneys familiar with household goods moving laws.

AMSA and its members will continue efforts to promote legitimate movers and to weed out rogues, but a strong Federal regulatory effort is essential to deal effectively with the problem. AMSA's household goods consumer protection proposal for the recently enacted MAP–21 was intended to give FMCSA adequate authority and needed resources.

That proposal consisted of: (1) stricter entry standards to screen out applicants who are not qualified or unwilling to provide satisfactory customer service; (2) enhanced enforcement through hiring additional household goods compliance inspectors; (3) creation of a joint industry/federal consumer assistance program, possibly patterned after MoveRescue, to provide real-time consumer relief; and (4) improved and simplified consumer education materials and practices as recommended by an expert advisory panel, including educators.

The Committee's "Commercial Motor Vehicle Safety Enforcement Act" and the Senate-passed version of MAP–21 included most of the elements of AMSA's consumer protection proposal. Unfortunately, the final version of MAP–21 essentially only contained the entry provisions.

Much of AMSA's proposal was based on GAO reviews and recommendations concerning FMCSA's household goods efforts. GAO specifically cited a lack of household goods inspectors, noting that the agency only increased the number of inspectors from two to eight, between 2001 and 2007. There are approximately 7,000 registered interstate movers and 800,000 interstate household goods

moves annually. Yet today, there are only ten full time FMCSA household goods inspectors. The old ICC had regulatory responsibility over household goods movers, and before its termination in the mid-1990s, I believe ICC had a household goods team that included well over 100 inspectors.

Effective enforcement of household goods consumer protections will require additional "cops on the beat." AMSA's proposal calling for additional FMCSA household goods inspectors is still needed, we believe. More needs to be done on enforcement by hiring household goods inspectors, and by creating a joint consumer assistance program, and we must do a better job of consumer education. AMSA will continue to press for these missing pieces of the puzzle.

Thank you for the opportunity to comment, and I would be happy to answer any questions you might have.

[The prepared statement of Ms. Darr follows:]

PREPARED STATEMENT OF LINDA BAUER DARR, PRESIDENT AND CHIEF EXECUTIVE OFFICER, AMERICAN MOVING AND STORAGE ASSOCIATION (AMSA)

The American Moving and Storage Association ("AMSA") is pleased to make this statement on consumer abuses by unscrupulous rogue groups posing as legitimate household goods movers and brokers. AMSA congratulates the Committee for focusing on this important consumer protection issue, and we are pleased to join you in the fight against rogue operators that harm consumers and our industry.

AMSA is the national trade association for the moving and storage industry. AMSA represents more than 4,200 members, including interstate moving and storage companies, local movers, international movers, industry suppliers and state moving associations.

The household goods moving and storage industry has a unique and profound impact on consumers. The industry consists of 7,000 companies operating at 13,900 locations, and executing approximately 800,000 interstate household goods moves annually. Beyond the numbers, though, is the fact that these moves involve consumers entrusting most or all of their possessions, to professional movers for safe transportation and delivery over hundreds or thousands of miles.

Although the vast majority of these moves are performed without significant problems, there is a rogue element inserting itself into the marketplace that takes advantage of their unique position of trust to rob consumers. According to the GAO, the Department of Transportation receives approximately 3,000 consumer complaints related to household goods movers annually, some involving egregious offenses. There are also additional complaints reported elsewhere, such as with AMSA, BBB and various other consumer complaint websites. While the number of complaints is statistically small when compared to the total number of moves performed without incident, when problems arise they can be substantial for consumers.

The Committee's investigation leading up to this hearing underscores the seriousness of the problem. That investigation focused on four companies that had a combined total of 109 complaints documented by MoveRescue, a program discussed in more detail later in my testimony. The most serious of the complaints involved holding shipments hostage, while other complaints primarily involve disputed charges, delivery delays and damaged shipments.

AMSA believes that ensuring a strong, compliant household goods moving industry is available to household goods consumers is one way to continue to combat the ongoing problem of criminals preying on those consumers. AMSA has taken effective action to help protect the public by drawing sharp distinctions between the legitimate moving industry and the criminals merely posing as movers. One way that AMSA does this is to ensure that its members adhere to a strong code of conduct. Under AMSA's recently launched ProMover[sm] program, AMSA moving company members must agree to comply with AMSA's stringent Code of Ethics, FMCSA/STB regulations, and other relevant business standards. Upon compliance with these standards, the moving companies are then certified as ProMovers by AMSA. AMSA annually monitors performance of its members and terminates the membership of operators who engage in repeated or egregious violations of the Code of Ethics, the FMCSA/STB regulations, or has a pattern of unresolved consumer complaints. As

an example of the seriousness of our intent, we kicked out over 200 members in the first year of the ProMover program.

In fact, AMSA terminated the membership of Budget Van Lines, one of the companies identified for investigation by the Commerce Committee. That termination, which occurred prior to the Committee's investigation, was made because of consumer complaints and the company's low Better Business Bureau rating.

AMSA will continue to take action on its own to promote ethical conduct by household goods movers in order to distinguish its members from the criminal element imposing itself on our industry. However, AMSA believes that a strong Federal regulatory effort is also essential to deal effectively with the problem of criminals posing as household goods movers.

Responding to a request from this Committee, the GAO undertook an examination of regulation of the household goods industry and how the changes in rules enacted in SAFETEA–LU, enacted in 2005, impacted the effectiveness of that regulation. In its report to the Committee entitled, *Household Goods Moving Industry: Progress Has Been Made in Enforcement, But Increased Focus on Consumer Protection Is Needed* (October, 2009) GAO found generally that the FMCSA had made limited progress in dealing with household goods consumer abuses, and that the SAFETEA–LU changes had little impact on that progress. GAO made recommendations for improvements in four categories of consumer protection—enforcement; establishing and maintaining partnerships; consumer education; and enhanced data collection regarding consumer complaints.

The GAO report, along with the experience of AMSA and its members, were the building blocks for AMSA's consumer protection legislative proposal for the Federal transportation program reauthorization bill. Unfortunately, only a portion of AMSA's household goods consumer protection proposal was included in the recently enacted MAP–21. We still believe that our proposal provides the best possible path to meaningful reduction in household goods consumer abuses. AMSA's proposal has three components:

Entry

All applicants for new household goods authority would be required to pass a written proficiency examination demonstrating their understanding of, and ability to comply with, FMCSA's household goods consumer protection regulations, would be required to show compliance with tariff filing requirements, and also impose increased levels of financial responsibility and filing fees. After meeting these requirements, applicants would be granted provisional registration, which would only become final after the registrant passes an FMCSA consumer protection audit demonstrating that it is conducting its business in compliance with the FMCSA household goods regulations and has not had a pattern of substantiated customer service complaints filed against it based on regulatory violations.

Enforcement

FMCSA would be directed to strengthen its enforcement approach in three areas and would be given the resources needed to do so. These three areas are: 1) carrying out consumer protection audits required for new operators and, where warranted, existing operators; 2) the hiring of additional Federal household goods compliance inspectors with more focus on civil penalty and authority revocation cases where there are repeated and/or serious consumer protection violations; and 3) establishment of a new joint federal/private sector program based on the existing industry Move Rescue program, through which consumers can get advice and assistance, particularly in household goods hostage situations.

MoveRescue has performed a uniquely beneficial role in protecting consumers. Started in 2003 by UniGroup, Inc., parent company of licensed movers United Van Lines and Mayflower Transit, MoveRescue provides free advice and assistance to consumers needing help or information concerning household goods moves. Many of these callers have been victimized by criminals posing as movers and need immediate assistance to recover their wrongfully withheld household goods. The program features an educational website, toll-free hotline staffed with knowledgeable representatives, and access to a network of transportation attorneys, who make their services available on a pro bono basis. In extreme cases of hostage goods or abandonment, MoveRescue works with agents for United and Mayflower to "rescue" shipments and return the goods to their rightful owners. MoveRescue also coordinates informally with FMCSA to support the agency's enforcement efforts. AMSA's proposal would enhance that partnership by establishing a clear, formal role for FMCSA, devoting more resources to the effort and making the program truly nationwide in coverage, involving more licensed, legitimate movers, providing expanded marketing and greater awareness by consumers, and giving consumers real-

time, immediate help and advice from customer assistance specialists during a difficult and stressful time.

Education

Movers are required to provide consumers with specific guidance on their rights and responsibilities according to Federal law. We support the concept, but the process and primary document are complex, lengthy (60 pages), and often outdated. Consumers just don't read the educational material. Therefore, we propose that FMCSA be directed to convene a panel of education experts, industry personnel, and consumer advocates to develop recommendations on how to make the consumer educational effort more understandable and user-friendly.

The Senate Commerce Committee's transportation reauthorization bill incorporated many of these proposals, and they were included in the Senate passed version of MAP–21:

- Applicants for new household goods operating authority are required to demonstrate, through passage of a proficiency exam, the ability to comply with household goods consumer protection regulations, estimating, consumers' rights, and options for limitations of liability for loss and damage.
- If applicant successfully completes the application and testing, it gets operating authority, but must undergo an FMCSA consumer protection review within 18 months and is subject to authority revocation if the results are unsatisfactory.
- FMCSA is required to implement a Joint Assistance Program to educate HHG consumers, assist consumers with timely resolution of hostage situations, and improve implementation, monitoring, coordination of Federal/State enforcement activities; FMCSA may partner with one or more HHG motor carrier industry groups to carry out the program.
- Civil penalties assessed by the Secretary may be paid to aggrieved shipper in hostage situations. Secretary may order, after notice and opportunity for hearing, that hostage goods be returned to shipper. Secretary may withhold or reduce civil penalties as part of a settlement agreement.
- FMCSA is directed to convene a task force of education experts, industry personnel, and consumer experts to make recommendations regarding condensing and simplifying existing consumer protection information into a format that can be easily used by a consumer and the use of state-of-the-art education techniques/technologies, including the Internet.

The entry provisions and part of the enforcement provisions of the Senate bill were the only parts to make it into the enacted version of MAP–21. Applicants for household goods authority are required to pass a household goods consumer protection proficiency examination, in addition to the safety examination required of all applicants. Successful household goods applicants are required to undergo a consumer protection standards review within 18 months of beginning operations.

MAP–21 also gave FMCSA the authority, after an opportunity for notice and proceeding, to order a person holding a household goods shipment hostage to return the shipment to an aggrieved shipper. Finally, MAP–21 gives FMCSA the authority to assign all or a portion of a civil penalty to an aggrieved household goods shipper and to withhold all or part of imposition of a civil penalty, presumably as a bargaining tool to resolve ongoing hostage shipment cases.

We strongly support the tougher entry requirements, and while the enforcement provisions can be useful tools for FMCSA, we continue to believe that the implementation of a comprehensive joint assistance program, and adding additional household goods compliance inspectors would be a better approach, and provide more timely assistance and potential relief to victimized consumers. We also think that the enhancement of consumer education contemplated by the Senate bill is important. Hopefully, these provisions can be added in the next authorization bill. AMSA will certainly continue to press for them.

It is important to emphasize that the provisions contained in AMSA's proposal and in MAP–21 are of limited benefit if FMCSA does not have the resources to implement them effectively, and to enforce compliance with household goods consumer protections. FMCSA does its best with available resources and, as GAO noted, has made enforcement improvements, but FMCSA simply does not have what it needs to do the job right. Effective enforcement of household goods consumer protections will require additional "cops on the beat" . . . household goods compliance inspectors. Despite increased efforts and commitment, FMCSA still only has a handful of household goods inspectors, yet there are thousands of registered movers and who knows how many rogues operating in the household goods moving marketplace without the appropriate authority. AMSA's proposal called for $3 million annually

to hire additional FMCSA household goods inspectors. We continue to believe that this is needed, at a minimum. We recognize that the FMCSA budget is limited and the trucking industry is large, but we also believe that the consumer protection and personal safety aspects of the moving industry warrant special attention. We are not moving widgets or working with experienced shippers, so the margin for "mischief" is large and must be addressed.

There are two other related household goods enforcement issues that need to be addressed. The first concerns enforcement of FMCSA's new household goods broker rules. Legitimate brokers can perform an important function as intermediaries between consumers and reputable movers, if consumers are adequately educated about brokers' role in the moving process. But in the Internet age, unscrupulous brokers can easily engage in deceptive practices such as not making it clear to consumers that they are not movers, inaccurate estimates and the use of unauthorized household goods carriers. In 2011, FMCSA addressed these practices by adopting regulations containing a number of important, common sense protections advocated by AMSA.

These rules essentially require that brokers provide the same consumer protection information as required of household goods movers and they focus on transparency, ending bogus estimates and unauthorized carrier abuses. Among the most important protections are requirements that a broker arrange for household goods moves to be performed by licensed household goods carriers, with whom the broker has a written agreement; that estimates be based on the carrier's published tariff; that such estimates be based on physical surveys if the shipments are within 50 miles of the carrier's place of business, or the physical survey must be waived by the consumer in writing; and that broker Internet sites include prominent disclosures about the brokers' role and the names of FMCSA authorized household goods carriers with whom the broker has a written agreement.

These are important new protections, but they are only beneficial to the public if they are effectively enforced. AMSA believes that it is important that FMCSA have a focused household goods enforcement program for monitoring and enforcing these rules, and that Congress provide sufficient resources to support the enforcement program.

Container companies that act as household goods movers are a good example of the widespread non-compliance with household goods broker regulations. It is reported that some container companies may be operating as household goods brokers, but are marketing themselves as household goods movers and contracting with freight carriers to haul the containers. These companies do not have household goods broker authority and often do not comply with the relevant household goods broker rules.

A second area of concern is that some freight carriers are moving household goods shipments for consumers across state lines while attempting to evade regulation as household goods movers. These freight carriers are relying on the so-called "Limited Service Exclusion" that excludes carriers from the definition of "Household Goods Motor Carrier" if such carriers do not provide certain services, such as packing and loading, to their customers. However, there are reports that these carriers do, in fact, offer or supply packing and loading services through providers believed to be operating as their apparent or actual agents, while not registering with FMCSA as household goods motor carriers, or complying with that agency's household goods consumer protection regulations.

The consequence of these reported practices is that interstate household goods shippers using these services are being denied important consumer protections. They do not have protections ensuring accurate estimates based on published tariffs of licensed household goods movers, relevant consumer protection information, timely and full performance by licensed household goods movers, and adequate remedies for non-compliance that are otherwise available to household goods shippers using authorized household goods carriers or brokers. AMSA has brought this issue to FMCSA's attention and urged FMCSA to investigate these suspected violations and enforce the regulations appropriately.

In conclusion, AMSA and its members will continue to do everything we can to eliminate the consumer abuses caused by criminals posing as household goods movers, to distinguish those bad actors from legitimate, licensed movers, and to hold hard-working, legitimate companies accountable for compliance with the law. AMSA knows that FMCSA is committed to enforcing its household goods broker and consumer protection regulations, but it needs adequate resources to be effective. AMSA appreciates what the Committee has done to give AMSA the tools that it needs and to shine a light on the abuses that must be stopped. AMSA looks forward to working with the Committee and FMCSA to give all shippers of household goods the protection they deserve.

I am happy to answer any questions members of the Committee might have.

The CHAIRMAN. That you very much, Ms. Darr.

And, Mr. Romrell, I am glad that you are here and I want to praise you for being here, because you are the only broker so to speak who agreed to come, and you deserve credit for that. I may not agree with everything you have done, but you are here, and you did not have to be, you could have just turned us down flat, and you did not, and you subject yourself to questions, and so I respect you for that.

STATEMENT OF JASON M. ROMRELL, PRESIDENT AND CHIEF LEGAL OFFICER, BUDGET VAN LINES INC.

Mr. ROMRELL. Thank you, Mr. Chairman. Thank you.

Mr. Chairman, members of the Committee, I am Jason Romrell. I serve as President and Chief Legal Officer of Budget Van Lines. We are a federally licensed household goods transportation broker located in Los Angeles, California. We are one of the Nation's largest household goods transportation brokers, having arranged tens of thousands of moves and currently employing about 100 people.

We appreciate the Committee's interest in household goods transportation. We have been open and cooperating with the Committee over the last 9 months and have provided over 500,000 pages of documents.

We have been operating with FMCSA authority as a broker since 2005 under the same business entity and the same name. Brokering is a common business model in many industries. It helps consumers save time and money. We provide consumers easy access to more transportation options, lower costs, and time savings. We help carriers operate more efficiently, helping them connect with customers and giving them a way to fill returned trips on partial loads.

Without legitimate brokers, consumers in more rural areas and small towns may not be able to find a carrier when they need one, consumers everywhere might have fewer choices, prices would likely increase, and many independent carriers would probably be out of business.

It is important to note that we are not the motor carrier. Mr. Chairman, as you mentioned we do not provide the actual transportation, we do not own trucks, but we do have required contractual relationships with carriers who are adequately licensed and insured.

Our home page on our website references our role as a broker, what I believe, very clearly, and we also have an introduction video that explains on our home page how our business model operates. In addition, our estimates reference our position as a broker over ten times in very clear, plain language. It is not something we hide, because we know we provide a value to consumers.

I would like to explain how we provide consumers with estimates, since this has been part of the Committee's focus. Our trained and knowledgeable sales representatives explain to the customer our role as a broker and how the estimate process works. We then conduct a telephone survey to obtain an inventory of the customer's household goods and other services they require. This dis-

cussion can last up to two hours, depending on the size of the inventory, questions that are asked, and the explanation of the entire process.

Our sales representatives then provide consumers with a written binding or non-binding estimate, depending on their preference, and 60 percent of our consumers choose a non-binding estimate.

Budget's policy is to be open and transparent with consumers. In our documents and our conversations with prospects, we strive to explain the moving process thoroughly and in layman's terms to help customers avoid or minimize additional charges, and we encourage them to be as accurate as possible when they are creating an inventory of items to be moved.

For example, we recently revised our inventory software to ensure that inventories that we prepare are more comprehensive and easier for the customer to accurately complete. We do not earn, and our sales representatives do not receive a commission, for additional or adjusted charges assessed by the carrier at pickup or delivery, even when the carrier and the customer agree to a revised estimate.

We care about doing business with integrity. We have implemented numerous internal procedures beyond what is required by law to provide accurate estimates and to improve the customer experience. We conduct extensive training for our sales representatives, we have a quality assurance department that reviews each estimate for obvious errors, we prohibit estimates based on volume to avoid potential abuse in the packing and loading process, and we do not incentivize under estimating. More importantly, we have a robust carrier selection process.

A software system that we created checks, each day, the Federal licensing status and the safety record of every motor carrier in our network, to make sure they have not been placed out of service with the FMCSA. Before signing a carrier to our network, we look at the history of prior ownership and affiliations, service credit and complaint histories, claims resolution process and other important business information.

We also provide carriers with our own quality control guidelines, a checklist to help them conduct business in compliance with the Federal regulations, and to help them avoid or reduce consumer complaints. The only thing the law requires us to do is make sure the carrier is licensed.

We do not tolerate hostage situations, and we believe carriers who engage in these situations should have their licenses revoked and should be subject to civil and criminal penalties. True hostage situations are not good for the industry, they are not good for our business, and they are terrible situations for consumers.

The nature of the industry is a difficult one, and consumers want, and the law requires, written estimates, and these contribute to some of the pricing concerns that are raised by the Committee. But we continue to do our part to improve our processes.

My heart goes out to Ms. Kovalcik. She had a traumatizing experience. And, I am a consumer just like I am a broker. I am sympathetic to that, and no one should have to go through that situation.

I appreciate the opportunity, Mr. Chairman, to be here to testify because we want to be part of the solution. We do not want to be

contributing to the problems. So, I welcome any questions the Committee may have.

[The prepared statement of Mr. Romrell follows:]

PREPARED STATEMENT OF JASON M. ROMRELL, PRESIDENT AND CHIEF LEGAL OFFICER, BUDGET VAN LINES INC.

Thank you Chairman Rockefeller, Ranking Member Hutchison, Senator DeMint and other members of the Committee for the invitation to testify today. My name is Jason Romrell and I serve as President and Chief Legal Officer for Budget Van Lines, a federally licensed, independent household goods transportation broker headquartered in Los Angeles, California. We have been operating as a federally licensed broker under the name Budget Van Lines continuously since 2005. We are one of the Nation's largest household goods transportation brokers. We broker approximately 10,000 moves annually and employ approximately 100 people. We take care of our people, providing decent wages, medical insurance coverage and other benefits. As stated in our mission statement, we strive to be the country's best moving broker by working with quality carriers that take care of our customers and their property, by delivering exceptional customer service throughout the entire moving process. We treat our customers and our employees the way we treat our family and friends.

We appreciate the Committee's interest in household goods transportation, ensuring such moves occur safely, efficiently and fairly and exploring ways to improve the experience for consumers. We have been open and cooperatively working with the Committee over the last nine months and have provided the Committee over 500,000 pages of documents to assist in its investigation of the household goods transportation industry.

Let me take a moment to explain what household goods transportation brokers do, as it is often misunderstood. As you know, brokering is a common business model in many industries, from travel to insurance sales to the groceries on the supermarket shelves. Brokering is an effective and common business model because it increases options and saves businesses and consumers time and money. In the interstate moving industry, brokers like us arrange transportation services between customers and qualified household goods motor carriers. We help customers in a variety of ways, by providing easy access to more transportation options, lower costs and time savings. We help customers navigate a host of complicated and often unfamiliar decisions that must be made when arranging an interstate move. At the same time, we help federally licensed household goods motor carriers operate more efficiently by reducing their marketing costs and helping them connect with customers. We save motor carriers money and time by taking inventories and working with customers through the initial sales cycle. We also help motor carriers operate in a difficult economy by giving them a way to fill empty space on return trips and to fill partial loads. The services we provide create a win-win situation for both consumers and household goods motor carriers.

It is important to note that we are *not* a motor carrier; that is, we do not provide the actual transportation for a shipper's household goods. Acting as a broker, we are not allowed under Federal regulations to own, operate or control the motor carriers to whom we broker jobs. We have contractual relationships with household goods motor carriers that are adequately insured and that the Federal Motor Carrier Safety Administration (FMCSA) has granted a license to transport household goods, and these are the only motor carriers we use for moving our customers' shipments. Our company's website and documents very clearly state that we are a federally licensed household goods transportation *broker* and not a motor carrier. Our website's homepage includes a short video explaining exactly how we help consumers arrange moves. We comply with the many Federal requirements applicable to household goods transportation brokers, including registration with the FMCSA, obtaining process agents, securing appropriate bonding, and using only properly licensed household goods motor carriers to provide transportation.

It is also noteworthy that our volume has seen significant growth almost every year since 2005, which we attribute to operating our company with a high level of integrity, referrals from past customers and our ability to provide consumers with a variety of quality, reliable motor carriers offering very competitive prices.

Let me explain how household goods brokers provide customers with estimates for interstate moves, since this has been a major focus of the Committee's inquiry. Under Federal regulations, we may provide customers with written binding or non-binding estimates showing the anticipated cost of a move. Whether it's binding or non-binding is the customer's choice. The estimates must be based on either a tele-

phone or a physical survey of the customer's household goods. A physical survey is required if the goods are located within a 50-mile radius of the motor carrier's or agent's location unless the customer has waived the physical survey requirement in writing.

What normally happens when a potential customer contacts us is that the potential customer will fill out a request for a moving quote, then one of our trained and knowledgeable sales representatives will follow up, explaining our role as a broker and how the estimates work (including the binding versus non-binding estimate options). We then conduct a telephone survey to obtain an inventory of the prospect's household goods and other services that are requested or required. This process involves a detailed discussion with the prospect that can last up to two hours depending on the size of the shipment, including time answering questions, explaining the process, reviewing the customer's unique situation and creating the inventory.

We recently revised our sales process to include a more detailed inventory process. Our sales representative walks the prospect (over the phone) through their home room-by-room. As each room is inventoried, the prospective shipper can more easily account for all household goods and is more likely not to skip any rooms. For example, the sales representative can walk the customer through the "Living Room", then through "Billy's Room", then through "Amy's Room" and so on. After the inventory is complete, industry standard figures are used to assign prescribed weights to the various household goods for arriving at an estimated total shipment weight. Our sales representative then provides a written binding or nonbinding estimate, consistent with applicable Federal regulations, to the prospect based on carrier rates for the estimated shipment weight, the distance between origin and destination, as well as additional and accessorial services to be provided. The written estimate includes all inventory items with the same room-by-room headings, making it easier for prospects to review the inventory to ensure more accuracy. We do not perform physical (on-site) surveys, regardless of the carrier scheduled to do the move. Physical survey waivers are included in all our estimates and must be executed and returned to us prior to our acceptance of the job.

It might be helpful to explain the differences between nonbinding and binding estimates, as this is an aspect of the household goods moving industry that is often unknown or misunderstood. A nonbinding estimate is an estimate of the total cost of the move based upon the estimated weight or estimated volume of the customer's shipment, the services requested, and the carrier's tariff-based rates, but it is only an estimate. The final cost of a move done pursuant to a nonbinding estimate may be higher or lower as determined by the actual weight (or if requested by the shipper, the actual volume) of the household goods. While the final price of a nonbinding estimate can vary dramatically from the estimated price, Federal regulations state that the customer does not have to pay more than 110 percent of the estimated amount at delivery. This is known as the "110 percent rule."

However, the 110 percent rule does not apply to additional charges not appearing on the nonbinding estimate where: one, the customer requests additional services after the goods are loaded, or two, additional services are required that were not reasonably contemplated in the estimate (for example, required use of a smaller "shuttle truck" to reach the final destination where a larger moving truck will not fit). Also, if the shipper's actual household goods end up not matching the inventory contained in the nonbinding estimate, Federal regulations allow the motor carrier to prepare a revised estimate for the shipper's consideration, which then must be in writing and signed by the shipper before loading the shipper's household goods. The shipper is not required to accept a revised estimate and may cancel the move. Likewise, the motor carrier may agree to accept and transport the shipment under the terms of the original estimate.

A customer may want a nonbinding estimate for many reasons. They may not, for example, want to go through the time-consuming process of completing a detailed inventory, or they may be unsure of the actual pieces or quantity they will end up moving (as would occur if a customer plans to have a garage sale to get rid of many items before a move or they have unknown items in storage), or they are unsure of the number of boxes they may have once their items are packed. The nonbinding estimate provides the customer with a general idea of the cost of the move, but the actual cost is determined at or before delivery based on the shipment's actual weight or volume.

A binding estimate is an agreement between the customer and the motor carrier that sets the cost of the move based upon a precise inventory and listing of services to be provided. Customers may opt for a binding estimate if they are certain of the amount of goods and number of boxes to be moved. Federal regulations provide that the customer does not have to pay more than the binding estimate amount at delivery to receive his or her goods at destination. However, Federal regulations allow

the motor carrier to collect fees for additional services requested by the shipper after loading that were not on the estimate, or for services that were not reasonably contemplated when the estimate was prepared and are needed in order to complete delivery.

As with the nonbinding estimate, if the shipper's actual household goods do not match the binding estimate's inventory, Federal regulations allow the motor carrier to prepare a revised estimate for the shipper's consideration before loading the shipper's household goods. The shipper is not required to accept a revised estimate and may cancel the move. Likewise, the motor carrier may agree to accept and transport the shipment under the terms of the original estimate.

Budget's companywide policy is to be open and transparent with customers. In our documents and in our conversations with prospects, we strive to explain the moving process thoroughly and in layman's terms and help customers avoid or minimize additional charges by encouraging them to be as accurate as possible when creating an inventory of the items to be moved. We do not earn and our sales personnel do not receive a commission on additional or adjusted charges assessed by the motor carrier at pick-up or delivery, even when the carrier and the customer agree to a revised estimate. Therefore, there is no incentive whatsoever to underestimate the cost of a particular job.

Budget cares deeply about doing business with integrity. With that in mind, we have implemented numerous internal programs and procedures above and beyond what is required by law to provide accurate estimates and improve the experience of residential customers booking moves with us. We conduct extensive initial and ongoing training with our sales representatives to ensure they are knowledgeable and up-to-date on the moving industry, the applicable regulations and with our internal processes. We strive to train our employees properly and completely so they can better describe the moving experience to prospective customers, explain different estimate options and respond accurately and in plain English to customers' questions.

We also created a Quality Assurance Department that reviews every estimate before it is sent to a carrier, looking for obvious errors and flagging estimates that do not meet quality assurance standards. Sales calls may be recorded to help us quickly identify sales representatives who potentially may cause problems or those who need additional training. We do not permit our sales representatives to estimate jobs based on volume, but only on weight, to avoid the potential abuse of volume-based jobs by motor carriers in the packing and loading process. We forbid sales representatives from underestimating jobs. When a job goes wrong and we provide financial remedies to our customers, our sales representatives do not earn a commission on those jobs.

We have a well-paid large customer service department that answers customers' questions before, during and after a move, and acts as a liaison between the customer and the motor carrier. We do everything in our power to help customers through the moving process, including helping customers deal with the occasional motor carrier the customer believes failed to perform professionally or follow applicable regulations.

Our carrier selection and retention process is selective and goes above and beyond what is required by law. Since 2005 we have terminated relationships with over 580 motor carriers for various reasons, including a lack of quality customer service and regulatory noncompliance. We created our own software system that checks the Federal licensing status of every motor carrier in our network each day to ensure they have not been placed out of service by the Federal Motor Carrier Safety Administration. If we find a carrier out of service, we suspend all jobs to that carrier immediately and will not book jobs for that carrier until they are back in good standing with the FMCSA.

Before signing a carrier to our network, we consider the history of prior ownership, prior affiliations with other companies, service history, credit history, complaint history, claims-resolution processes and other important business information and practices. Because safety is also important to us, we also check the carrier's FMCSA Compliance, Safety and Accountability (CSA) score and will refuse or subsequently drop a motor carrier if the carrier's CSA score suggests serious ongoing concerns. In fact, the same software program we designed to check every carrier's licensing status on a daily basis also checks every carrier's safety ratings so carriers who are deemed "unsatisfactory" by the FMCSA are flagged for immediate review and disqualification in our system.

If we discover a motor carrier that exhibits an ongoing pattern of unprofessional performance or that fails to comply with Federal regulations, we will suspend or terminate that carrier from our network. We also provide motor carriers with our own Quality Control Guidelines, a checklist of issues to help them conduct business in

compliance with the Federal regulations, and to help them avoid or reduce customer complaints. As you can see, we go well beyond our legal requirements. *The only thing the law requires we do is to check that a carrier is licensed and insured.*

Our records indicate that approximately 40 percent of the estimates we prepare are binding and 60 percent of our estimates are nonbinding. Customers are free to select whichever estimate type fits their needs. When a motor carrier takes a job based on a nonbinding estimate, it is highly likely that the job will result in a final price that is different from the estimated price. This is the case whether the estimate was supplied by a broker or the carrier itself. The reason for this is that the final charges are calculated from the actual weight or volume of the shipment. For weight-based moves, the final weight of the shipment is obtained using weight tickets from certified commercial scales. If the actual scaled weight of the shipment is off by even one pound from the original estimated weight (a virtual certainty), then under a nonbinding estimate scenario, the motor carrier is obligated under its tariff to charge the customer for the extra weight. However, under the 110 percent rule, the motor carrier cannot collect more than 110 percent of the amount from the nonbinding estimate at delivery.

Motor carriers are not required by Federal regulations to, and as a matter of practice generally do not, provide us information on price increases (from the original estimate) that occur at the beginning or end of a customer's move. However, in an effort to be cooperative with the Committee, our evaluation of customer complaints on file gives us an indication that approximately 15–25 percent of our nonbinding estimates result in a price increase to the customer beyond the 110 percent rule. Reasons for these price increases vary. Budget Van Lines agrees that unfair and unexpected price increases in the household goods transportation industry can sometimes create situations where consumers are treated unfairly. Changes to the regulatory scheme should be considered if such changes could reduce the frequency of customer complaints where the price of a move based on a nonbinding estimate increases above 110 percent.

While we have spent considerable time and effort improving our internal processes, admittedly we still can and continually strive to do better. We routinely evaluate and reevaluate every aspect of our operations and continue to make refinements to our operations. Within the last two years, we have revised and improved our estimates for more clarity, striving for estimates in plain-English and with no confusing legal fine print. We have implemented better and more consistent training of our sales and customer service teams, which continues to be an ongoing activity. Even though our customer service department is a demanding, challenging job, we offer competitive wages and full medical, dental and vision benefits to customer service employees. Our QA department screens each and every estimate for obvious errors and omissions and helps us continually evaluate performance of our sales representatives and focus ongoing training where it is needed most. We are constantly on the lookout for quality carriers to add to our network of licensed motor carriers. We are diligent in working with carriers, helping them appreciate quality customer service, providing them with regulatory updates, and encouraging them to embrace not just regulatory compliance but best practices.

It is no secret the household goods transportation industry is a difficult industry. The tasks of assembling, packing, lifting, stacking, storing, reloading, unloading, lifting, unpacking and reassembling used furniture and other household goods is physically demanding both on the laborers as well as on the property being moved. In most cases, the movers (the people actually loading the truck) are not the same people who prepared the estimate, so whether it comes from a broker or a carrier, from a telephone or in-person survey, price changes and adjustments are not that unusual. In fact, they are common. And it is not just the household goods moving industry where price adjustments happen.

The nature of the moving industry, and customers' desire for written estimates, are factors that contribute to the pricing concerns raised by this Committee. We continue to do our part to improve our processes and our customers' experiences, but there may be industry-wide solutions worth considering. Our proposals and suggestions include the following:

Requirements for Brokers and Carriers:

Consider whether to require brokers to provide estimates based only on weight, since shipments moved pursuant to volume-based estimates can be manipulated upward by carriers in the packing and loading process;

Require brokers and carriers to send the shipper's survey-based inventory to customers separate from all other paperwork, along with a simple explanation that the inventory is the basis for the estimate and any changes to the inven-

tory may result in a revised estimate and additional fees on the day of the move;

Require motor carriers to price overages based on the price-per-pound quoted in the estimate instead of allowing the motor carrier to use a higher price-per-pound, even if that higher rate is allowed under the motor carrier's tariff.

Require brokers and carriers to notify customers that they may review and revise their estimate's inventory of items up to 48 hours before the scheduled pick-up time, giving customers time to see how such changes will affect the estimated cost;

Prohibit brokers, motor carriers and their employees from profiting from price adjustments before, during or after a move that do not meet regulatory requirements (in such cases, the FMCSA could "claw-back" those profits and return them to the consumer, along with other appropriate penalties assessed against the offending entity);

Require brokers and carriers to publish on their websites, visible to consumers, the percentage of their loads booked during a specified period that resulted in a known price increase, the range of those increases, and average or median increases (similar to airlines reporting their percentage of on-time departures);

In relation to the above suggestion, also require motor carriers using a broker to book jobs to promptly provide the broker with data regarding price increases;

Mandate the inclusion of a prominent warning on the Bill of Lading and on any revised written estimate above the shipper's signature lines warning shippers not to sign documents with any blanks (except those blanks that are necessary to be blank and are authorized by Federal regulations);

Require brokers and carriers to report to the FMCSA and display on their websites the number of household goods shipments they booked/carried each month, so consumers are able to evaluate complaint ratios versus gross complaint numbers posted by the FMCSA (a broker or carrier with 10,000 jobs and 200 complaints may be providing far better service than a broker or carrier with 1,000 jobs and 40 complaints);

Federal Motor Carrier Safety Administration:

Require the FMCSA to focus more attention on the enforcement of household goods brokers and carriers;

Require the FMCSA to create a short, easily readable, summary consumer education document with key information necessary for consumers to make informed decisions when considering interstate moves;

Require the FMCSA to create a more accessible, user-friendly online resource where shippers can evaluate brokers' and carriers' performance and job histories, including the previous suggestion that brokers and carriers report total jobs booked/carried so complaint ratios can be provided to consumers with accuracy and reliability;

Encourage or require more expeditious, responsive, and aggressive license revocation processes for brokers and carriers who clearly violate Federal regulations, thereby protecting consumers from rogue movers and automatically preventing brokers from using rogue movers;

Encourage the FMCSA to create standard volume measurements for common household items, thereby bringing some uniformity to the inventory process;

Require the FMCSA to deny licensing to individuals or businesses who have been implicated in regulatory violations previously, including the transfer or sale of existing businesses already licensed, if the new owners have an adverse or negative history in the moving industry;

Related to the preceding point, because we believe that many rouge movers giving the moving industry a bad name are run by individuals who pay others to take record-ownership of the company to circumvent close FMCSA scrutiny and to obtain or retain carrier authority (straw-man strategies), require the FMCSA to conduct interviews of new applicants or restrict the free transfer of motor carrier authority already assigned to an existing company, thereby reducing or eliminating straw-man strategies.

If the FMCSA cannot or will not engage in faster and more aggressive license revocations, require the FMCSA to share with brokers its data on motor carriers so brokers can ensure they are not working with known problem-carriers.

We are aware that the Committee has been looking not only at post-estimate price increases but also at alleged "hostage" situations, where a carrier holds a con-

sumer's goods until the consumer pays fees in excess of the agreed-upon estimate. Budget does not tolerate true hostage situations and believes that motor carriers engaging in true hostage situations should have their licenses revoked and be subjected to civil and criminal penalties. True hostage situations are not good for consumers or the household goods transportation industry.

If we become aware of an alleged hostage situation involving one of our customers, we endeavor to engage directly with the motor carrier and use our influence to encourage the carrier to make things right with the customer by delivering the customer's goods as promised in the applicable estimate and to comply with Federal regulations. Motor carriers that show a clear disregard for Federal regulations by willingly and knowingly creating true hostage situations are terminated from our network and will be reported to the FMCSA.

Nevertheless, we have encountered instances where alleged hostage situations were determined, after careful investigation, to be cases of honest misunderstandings between the parties. For example, when the goods to be moved or the services necessary to carry out the move are more than originally estimated, customers often sign a revised estimate before the carrier loads their property, agreeing to the additional charges. This scenario is permitted by Federal regulation allowing motor carriers to make necessary adjustments when a shipper's situation has changed.

In cases where a customer refuses to pay additional charges pursuant to a signed revised written estimate, and subsequently lodges a complaint with us, we step in and endeavor to help the customer understand the estimate, the regulations and the circumstances warranting the additional charges. No matter what we do or say, we do not control the motor carrier, which is why more aggressive and prompt enforcement by the FMCSA would benefit brokers and consumers alike. Regardless of the circumstances, we strive to have motor carriers in our network deliver our customers' goods without further delay and have those carriers paid the appropriate, lawful amount due them. From our analysis of complaints filed against us, only a few hostage allegations turned out to be true hostage situations.

Thank you for the opportunity to testify today and we look forward to working with the Committee on ways to improve the household goods customer experience. I welcome any questions you may have.

The CHAIRMAN. I thank you, very much for that. And, we will go to questions now.

The Ranking Member, Senator DeMint, from the state of South Carolina, said that he might have a few comments to make when he question time came up which should be right after mine, and so we will eagerly await that.

Let me start with Ms. Kovalcik, and this is about the whole binding estimates, and non-binding, and all of that. Congress has been fighting household moving fraud for a very, very long time.

Back in 1980, we decided that moving companies should be able to give consumers binding estimates. That means that the moving company and the customer have to agree on a price before goods get loaded onto a truck. Once the goods are on the truck the price is again final, but that is not the way it is working in the cases that we have been reviewing, and certainly in yours. Moving companies are loading the goods in the trucks and then jacking up the price on consumers.

So, let me ask you these questions. You reached a written agreement with a company called World Wide Van Lines to pay $900 for your move, from Chicago to New York, right?

Ms. KOVALCIK. Yes.

The CHAIRMAN. Yes, OK. But then, the company that moved your goods, Able Moving, charged you $2,434 for your move, is that correct?

Ms. KOVALCIK. Yes.

The CHAIRMAN. What was Able Moving's answer when you asked, if you did, why they were demanding more money?

Ms. KOVALCIK. They originally told us that the weight of the truck was heavier than anticipated, and they also——

The CHAIRMAN. The weight of the truck?

Ms. KOVALCIK. The weight of our goods, yes, in the truck.

The CHAIRMAN. In the truck, okay.

Ms. KOVALCIK. And that we were being charged for packing materials. But, our original bill of lading, we did sign one, but there were nothing filled out because we had not used anything. Also, it was not crossed out. So, it was filled out later.

The CHAIRMAN. Is there anything I might ask, either Ms. Ferro or Mr. Barry, that says that you cannot pack yourself for moving?

Ms. FERRO. No, the consumer is absolutely at liberty to pack their own goods and to indicate that to the moving company they contract with. There are no prohibitions.

The CHAIRMAN. In both of your experiences, that has not provided a problem, like people packing ineptly so that things became a shambles on a truck?

Mr. BARRY. No, that has not been an issue.

The CHAIRMAN. OK. So, you packed your own services, and your goods, and I guess you should not have done that, but you did, and that would be the responsible thing to do, and you sound like a pretty organized person to me. So, that does not surprise me that you did it.

So, Able Moving charged you more than three times what you were expecting to pay them, and their reason was they packed your goods, but you packed them yourself, and the answer to that is, yes. Many consumers would not be able to come up with that much money on the spot. I would say most consumers would not be able to come up with that kind of money on the spot. So, what was the deal with you? How were you affected by that?

Ms. KOVALCIK. Well, I have the exact date in my full-length statement, but we actually had quite a long time to come up with the money because there was quite a long process of chase involved. On the Saturday they arrived, which was about 6 days late, we had planned to call the police, and see a new contract, and sort of see what happened. We did not have the money when they arrived. We agreed to pay the money over the phone but we did not have the money.

It turned out that we did not need to pay the money because they then engaged in an interstate chase with our things. So, we did not turn over the money then. We turned over the money weeks later when we had, sort of, a hostage exchange. We exchanged a money order for a key to an undisclosed storage unit in New Jersey. So, we had several weeks, but we did have to borrow money from my family and then we paid.

The CHAIRMAN. Borrow from your parents?

Ms. KOVALCIK. Yes.

The CHAIRMAN. Mr. Romrell, is it in the order of things, either rules, regulations, common practice, and I will ask this of Ms. Darr also, that when you call them and you said that you sometimes spend 2 hours asking them what it is they have to pack, but you are still calling them, or maybe it is over the Internet. So, it is sort of hard to judge.

Now my question to you is, it does not seem to be possible to figure out what to charge somebody without actually seeing what it is that they are packing. Now, that is even harder if they have already done the packing, like Ms. Kovalcik did, and therefore you cannot see, you can only see boxes, cardboard boxes, or whatever. So, I do not understand that.

Why do you have to call them to offer them a price? And, you said you spent 2 hours on the phone with one example that you gave. I do not know that that is a common thing. I doubt it is. But then, did you go pick out the moving company?

Mr. ROMRELL. Mr. Chairman, to give one of our prospects, an accurate idea of the cost of their move, an accurate estimate, we do have to go through the inventory process. There are problems with in-home estimates, just like there are problems with telephone estimates. You have to have three things that come together at the same time.

The person who is taking the estimate has to be properly trained, and they have to gather the right amount of information. Whether it is over the phone or whether it is person, the person doing the estimate has to know what they are doing.

The second issue is the consumer has to be cooperative in fully disclosing everything that is there. Even on an in-home estimate, if they had a storage shed they forgot to mention, or they have something in the garage and the estimator did not go into the garage, you can have the same sorts of problems.

The third issue is the carrier. Even with in-home estimates as with telephone estimates, when the carrier shows up the person loading the truck is not the same person that did the estimate. They can look at the property to be moved and say, this does not match, and that is often where pricing issues come up. The person loading the truck may be incentivized by the carrier to say, "Hey, if you collect extra money, you get a commission from that," or maybe it is a great carrier and a great employee, and they just see things differently than the estimator.

So, our goal is to walk everyone that we talk to through a very detailed inventory over the phone, and the system we set up is to say, "OK, let's go to your living room," we type it into our computer and say, "What is in your living room?" and we label that for them. But, we go through every piece of property they have. And, then we go to Billy's room, and we label that.

So, after we have walked through the entire house, the entire inventory with our prospect, we send them a written estimate that has this information detailed and labeled the way we walked through it with them. So they can look through the list and say that, "Billy's room, I forgot the bunk bed," or, "Why isn't my desk in the den listed here," and then we can make additions or corrections if we need to.

But, when we do our job right, and the customer is helpful with us and cooperative, we prepare very good estimates, and we strive to do that because we want to prevent these types of issues from coming up.

The CHAIRMAN. I thank you. My time is 3 minutes over. Senator Lautenberg and Senator Pryor can note that, and duly punish me. But, I wanted to get that answer out of you, and I also want to

pursue that with you, but Ranking Member Senator DeMint, I call upon him.

STATEMENT OF HON. JIM DEMINT,
U.S. SENATOR FROM SOUTH CAROLINA

Senator DEMINT. Thank you Mr. Chairman and I would ask consent that my opening statement be in the record. No objection, right?

The CHAIRMAN. No, not at all.

Senator DEMINT. OK, thank you very much. I apologize for being late. I appreciate all of you being here.

We all know that America has a very unique economy, and that our citizens are very mobile. The ability to move around the country and take better jobs is critical to improving our way of life, and our opportunities as families. And so, the moving industry is very important to everyone. Even to those of us who are not moving, it is very important.

I have known that as an employer myself, being able to move people in from other states. But, even when everything goes perfectly moving is a very stressful experience. And when things start to break down, it can become a nightmare as explained today.

What we need to know is what we can do about the problems. I have gotten a sense from what has been said today that this is not a matter of us needing more laws, but more enforcement of our laws. Would our Federal agencies folks agree with that? Is this a matter of enforcement, or does this Committee need to consider new legislation?

Ms. FERRO. Thank you, Ranking Member DeMint. Anne Ferro here.

I would reinforce that the Committee took some very positive steps in the authorizing language you incorporated into MAP–21 and, specifically, in providing additional authorities to demand hostage loads be released, to allow for a sharing of the fines and penalties against a mover with the actual consumer, and to require a level of screening at the beginning before someone even gets their authority. You provided some strong additional authorities.

I would say some further support for partners, our Federal and state partners that are carrying out additional work leveraging, kind of that force multiplier, and I would say again this Committee played a leadership role, Senator Lautenberg in particular, in incorporating into the original authorization proposal some additional grant support for state prosecution.

Thank you.

Senator DEMINT. Mr. Barry?

Mr. BARRY. I would agree with what Ms. Ferro stated. For us, the ability to prosecute and investigate these rogue movers is what we do. So, when we have the ability to work with our Federal and state law enforcement partners it does act as a force multiplier, it gives us an ability to bring more of our cases to the U.S. attorneys' offices, and I think that it does act as a strong deterrent within the industry.

Senator DEMINT. So, I just want to make sure that I am clear. There is nothing in the law that is holding you back from prosecuting the violators of fraud in this industry. It is just a matter

of needing to multiply the force and effect cooperation networks with the states.

Do you feel that the industry itself, the industry association that Ms. Darr represents, is doing enough? I know there are a lot of industries who do things with encouraging best practices. A lot of them are involved with a lot of voluntary enforcement of their members, when things are not going right. Is the industry itself, the big players, doing enough to root out the ones who are the bad actors?

Ms. FERRO. Senator, the industry, the reputable movers, both at the state and the national level, have been very strong advocates for pursuing and prosecuting rogue operations. At the same time, it is from a Federal enforcement perspective. Our agency, the Federal Motor Carrier Safety Administration, has to, and does, demonstrate the commitment to detect, and pursue, and prosecute those rogue companies.

And so, together I think it is a great deal of effort. Is it ever enough? I think we all are really driven to continue pursuing that.

Senator DEMINT. If a consumer finds herself in the trouble that Ms. Kovalcik did, how do they know who to call for help to get their goods released? Did you have any idea what to do? Did you just call the local police? What happens?

Ms. KOVALCIK. The very first instance, when the moving company arrived with the higher estimate, we did call the police, in part because the movers were being extremely hostile, but I do have experience in local government. So, I started pulling up every agency I needed to talk to. I think from the statements given there is probably even more had I been even more savvy, but I went through the attorney general, I went through the department of justice, I went through the Federal Bureau of Transportation, I went to everything and filled out everything and submitted forms to everything that I could think of, so.

Senator DEMINT. I know I am about out of time, but I would like to ask the industry a question. It would seem like on every contract, whether you are a broker or a mover actually with the trucks, that it should have a number to call if there is a problem, whether it be a Federal agency or someone in the association, so that if this occurs, very quickly the right people could get this, that you would not have to go through local law enforcement and find out who else to call. Does that exist now here, you know, like, how is my driving, call 1–800 on a truck? I mean, how do we do that for the consumer when something goes wrong that they know who to call?

Ms. DARR. That is an interesting concept, the 1–800, how is my driving, in the moving industry is not a bad idea, and we do not have that. I mentioned earlier, Senator, the America Moving and Storage Association is promoting a program called the ProMover Program, and that is why I am taking the opportunity now to put my folder in front of you and talk about how we certify our movers and try to make sure they are doing the right thing.

Part of that program is working with the Department of Transportation to make sure that the companies coming into the industry and the companies that we promote are solid and abide by the law.

In terms of who you are able to call, one program that we mentioned earlier is MoveRescue, and that is a program that is primarily run through Unigroup, one of our member companies, and they employ their system of agents, lawyers that are familiar with transportation law, they have a partnership with FMCSA, and they do have a 1–800 hotline number, but I would say that the movers that are displaying that number are likely to be within that Unigroup family of agents. That is not an industry-wide program it is limited to Mayflower and United which are Unigroup companies.

Senator DEMINT. I would just hope the industry could have some kind of a good housekeeping seal that was on every contract, that if something goes wrong there was someone to call, and if that seal is not there you should not move with them.

Just a quick comment from you, Mr. Romrell. Can we improve the consumer's ability to get to the right people quickly to resolve these hostage situations?

Mr. ROMRELL. Thank you, Senator DeMint. One of the benefits of working with a credible broker who respects their position as a broker is they can help the consumer know how to do those things. So, having a phone number to call is great, but I personally, I have talked to consumers who have been in dramatic situations, and I have contacted the FMCSA for them. So, my pitch to our customers and our carriers is always the same, if you are following the regulations, great. If you are not, we are going to report you. If there is bad conduct and bad actors, we do not want them in the industry.

Senator DEMINT. One last comment. I think this is a system that has to work quickly. Because if you are in a house with no furniture and a new job, you are likely to pay the ransom in order to get your furniture. So, I would just encourage whether it is on the Federal side, the industry side, that we have to have instant response so that someone would feel the heat immediately if they are trying to take advantage of a consumer. And, if the industry can do that then it is less likely we will try to come in with more laws and tell you what to do.

Thank you for the extra time, Mr. Chairman.

[The prepared statement of Senator DeMint follows:]

PREPARED STATEMENT OF HON. JIM DEMINT, U.S. SENATOR FROM SOUTH CAROLINA

Thank you, Mr. Chairman. I know you care deeply about consumer protection and I appreciate your perseverance in drawing attention to these issues.

A vital component of our exceptional and unique American experience has always been the mobility of our citizens. This mobility has driven our tremendous economic growth and contributed to our recoveries in the past. In short, the freedom of movement we have in America is a great attribute of our nation.

At the individual level, however, moving is rarely an easy experience—especially when the relocation is to a distant place across state lines. Even when everything goes well, moving is a particularly stressful event, both emotionally and financially.

When things go poorly, however, these already stressful events can quickly become outright nightmares. And when the things that go poorly include fraud and theft, the government has a responsibility to protect the citizens it serves.

Technology, specifically the Internet, provides tremendous opportunity for entrepreneurs and established businesses to offer more choice for consumers, and this is evident in the household goods moving industry. This choice, in turn, empowers consumers.

Unfortunately, but not surprisingly, criminal and unethical opportunists also benefit from this same advance of technology. The Internet can make it easier for bad actors to enjoy a measure of anonymity and the ability to appear respectable or perhaps even as something they are not.

Mr. Chairman, I hope this hearing and your report allow us all to learn more about the intersection of our mobile citizenry and the challenges and benefits provided to them by the interstate moving industry. I look forward to hearing about how our government agencies (particularly the FMCSA, DOT, and DOJ) use existing laws and their regulatory authority to address illegal behavior that harms consumers.

The unfortunate truth is that experiences like Ms. Kovalcik's will likely continue as long as people move. Opportunists will continue to break and ignore laws and regulations, and adequate enforcement is the only deterrent. What we can do here today, at least, is highlight the need for more consumer education and awareness, and encourage our law enforcement to use the tools Congress has given them.

That seems like a worthwhile use of a Thursday morning, Mr. Chairman. Thank you.

The CHAIRMAN. Thank you, Senator. Appreciate it. I am going to call on Senator Lautenberg.

Senator LAUTENBERG. Thanks, Mr. Chairman.

The CHAIRMAN. But, then I want say that after that, I am going to call on Senator Pryor, and all should be aware that he is Chairman of our Consumer Subcommittee, a trained lawyer, from Arkansas, and knows all the tricks.

Senator Lautenberg.

Senator LAUTENBERG. Before we get to the hard bitten Senator from Arkansas, the fellow from New Jersey will take over for just a few soft minutes.

And, one of the questions that looms in my view is the brokerage relationship to the industry, and you know, when I look at Mr. Romrell's testimony, you said that your company makes every effort to adjust for that to provide consumers with quality, reliable service, and you say that most complaints are mere misunderstanding?

That is a pretty accusatory thing suggesting that, well, more people want to make trouble than be serviced properly, but the investigation has shown that your company has had a disproportionate share of complaints, as many as 20 times more than the average company. Now, how is it possible that misunderstandings are responsible for this huge number in disparity in complaints?

Mr. ROMRELL. Thank you, Senator Lautenberg. I think part of the problem with the statistics is they are not ratio-based, and that is something that I have talked to everyone in the industry that I can about. The FMCSA, the Better Business Bureau, AMSA, they never, when this investigation started or after, they never asked how much volume we do.

We have complaints, and my statement in the testimony is not to minimize those. Some complaints are misunderstandings. Legitimate issues with the customer are serious issues. But here is what I look at, is the ratio of complaints to the volume of business that we do. Two really important things I look at, are the BBB and the FMCSA complaints, and our ratio of complaints is very low.

Now, how can you compare us to other industry actors, if you do not know what their ratio is? So we have raw data that does not tie to the volume that you do, and that would be a very useful piece of information for consumers and for brokers to say, "What is your ratio of complaints so we know how you stack up apples to apples?"

The other issue, Senator Lautenberg, is that we work with consumers who are budget conscious consumers on a COD basis. So, we do not—we try to, and we do some office moves, but we do not do a lot of corporate relocations, and we do not do a lot of military moves. So, the COD business in general, I think Ms. Darr might agree, is a more problematic industry segment.

Senator LAUTENBERG. But the fact you may be handling a larger volume would suggest to me that you should be better at the supervision of the business, and not readily compared to much smaller operations who have less of a number of complaints.

I want to ask you this, Ms. Darr, do you have any idea how much of the business is initiated by brokers?

Ms. DARR. I do not have that exact number, but I do have to say that Mr. Romrell has made an excellent point, that brokers do step in and help out some of the independent movers. Most of the moving industry is represented by agents of van lines, so they do not necessarily rely on the brokers as much as the smaller independent movers do. So, I would say the bulk of his clients, I guess if you will, were smaller independent movers, and they are a significant force in the industry. We probably have about a 1,000 independent movers that are members of the American Moving and Storage Association.

Senator LAUTENBERG. It seems odd that an industry where the transactions are relatively small, that there is such, and I have got to say it, kind of a cloud that hangs over things. Because, once they got you, they got you. And Ms. Kovalcik, you have become an expert in having been gotten there, that you had to chase your goods around the states.

But, the American Moving and Storage Association, DOT Inspector General, said that consumers should avoid moving companies and their brokers that require substantial fees or deposits, but I am not sure that that makes a lot of sense. I mean, if the truck is going to show up, you got a crew assigned to it and so forth, I think there is a responsibility, to be honest, with the purveyor.

So, have you seen a lot? And, Ms. Ferro, I do not know whether you are into this kind of detail. But, of situations where brokers have misused the concept of deposits to defraud people, is that something you run into quite a bit?

Ms. FERRO. We have certainly seen in the arena of broker practices a level of, sort of, freedom of operation if you will, that is now getting better contained by virtual of a broker rule that was put in place early last year. A consumer does not have to put a deposit down to achieve a full, strong, sound estimate from a reputable mover. That is point number one.

And, under the new rule that is in place, brokers must disclose, first and foremost, as Mr. Romrell indicated, that they are not a mover themselves, they must disclose the moving companies they are working with, they must disclose the DOT number that they are operating under as well as the moving companies they are working with, and they must provide the consumer, the consumer's rights and responsibilities.

We have seen—you asked earlier whether there is a resource where a consumer can file a complaint. We operate a National Consumer Complaint data base, and receive on average anywhere from

2,500 to 3,000 complaints a year, about 20 percent are hostage loads complaints, they may be packing complaints, or overcharging complaints. But, we have seen an uptick in broker complaints in the past two years, and it could very well be because of the increased focus on brokers and the opportunity for brokers to utilize that Internet kind of no fixed address concept more.

But, we feel very strongly about taking those, that we use that National Consumer Complaint database to formulate our top 100 list. Again, our strategy is to detect, investigate, prosecute and educate consumers, and so we use that complaint database combined with our safety database to create a top 100 list, and pursue enforcement action and reviews of those carries.

We have—the terminology I will use may not be appropriate, but we have a higher rate of return on that top 100 list than we do through our standard compliance reviews. We pursue enforcement action against about 50 percent of the entities, and this is our top 100 list for household goods movers. We have now adjusted the algorithm to provide a better focus on brokers as well, since they do not have those physical assets.

Senator LAUTENBERG. Mr. Romrell, once you have entered into the transaction, a transaction, you become responsible for the whole process, and as such, you have, I assume, investigate complaints that you get. Do you try to come down with an adjudication on these things? Have you talked to the company and say, "Hey, if you do not cut that out, we are not going to be handling your business?" Do you have a responsibility and do you exercise it, to make these companies behave more appropriately?

Mr. ROMRELL. I appreciate the question, Senator Lautenberg, and the short answer is yes. Sorry, I did not have my microphone on, but yes, we do what I would call our own compliance review every time we get a complaint, and we keep track of that information so we know which of the carriers in our network are showing up more often than others. If we have a system or a pattern of complaints, or bad behavior, that carrier is out of our network. And, since we started doing business in 2005, we have removed hundreds and hundreds of carriers from our network, some because they went out of service, which we drop immediately, and we know the day they are out of service we drop them, but some just do not provide the right level of service. So, we are always looking for better carriers, but we do not keep the bad actors.

Senator LAUTENBERG. Mr. Chairman, thanks very much for having this hearing. I would ask that we keep the record open there. Lots of questions that come into mind as we review this.

The CHAIRMAN. I would say so. Yes, we will. Senator Pryor.

STATEMENT OF HON. MARK PRYOR, U.S. SENATOR FROM ARKANSAS

Senator PRYOR. Thank you Mr. Chairman, and thank you for doing this hearing it is very important, it is good to have everybody here today. Thank you for coming. Administrator Ferro, it is always good to see you, and thank you for being here.

I have a question for really both of you and Mr. Barry to start with. And, I will stipulate to the fact that your employees work hard, that they work as efficiently as possible, as smartly as pos-

sible, but I also guess that with about 7,000 movers around the country doing about 800,000 moves a year, interstate moves a year, that you probably are not able to get to, you know, a very high percentage of the complaints and really spend the amount of time you would like to on those, and you all mentioned this state prosecution aspect, and really the first question I have is, do most states have sufficient laws on the books to prosecute some of this wrongdoing, or is it really a matter of resources at the state and local level?

Mr. BARRY. Senator, we actually have some ongoing work with state prosecutors. We find that their laws are adequate for us to move forward with these investigations, and our experiences have been this, when we go and talk to the U.S. Attorney's office, and we find that we just cannot get the cases prosecuted through those offices, and we go to a district attorney's office, or a state attorney general's office, we have been welcomed, we have been given resources, and we have had successful prosecutions. So, from our limited number of cases, it has been a good experience.

Ms. FERRO. Senator Pryor, if I might jump in on the getting to the larger group of states across the country, an area of strong interest by us, and this Committee has demonstrated it in their reauthorization recommendations last year, is to provide resources either through our standard grant program, to reinforce to states and states attorney general's offices, the value of prosecuting these cases.

They find, if they prosecute, the fines general do not go back to their specific efforts to prosecute this kind of consumer protection and identifying resources. I think again, this Committee identified our mix of grant programs as a potential resource that was not adopted in the final MAP–21.

But, we work through a Federal-state working group to expand both the knowledge and expertise among the states and their attorney general's offices as well, specifically about household goods moving prosecution or enforcement, and we have a specific fraud working group that is just the enforcement agencies at the state and Federal level, to again identify and pursue specific strategies that we found in cases.

We have three states now with whom we have full MOUs, that are going to begin doing compliance reviews enforcing cases on interstate household goods movers beginning early next year, and we have got another five states in the wings ready to pursue that. We have also improved the resources for them from an education perspective, and understanding of the regulations, and an access to resources. Those are kind of the three barriers they have identified that we are all working to overcome for that fourth multiplier.

Senator PRYOR. Good. Well, thank you for that.

Mr. Romrell, let me ask a follow-up on Senator Lautenberg's question a few moments ago where he was talking about basically, when you have a problem with a carrier, what do you do? And, if I understood your answer correctly, you talked about if there is a pattern of a problem with this carrier you take him out of your system. But, why do you not have zero tolerance? Why is it not that if you have one problem, that you look at, and you realize it is a problem with the carrier, it is not a misunderstanding, but it is a

problem and they are not doing right, why do you not take them out of your system right then?

Mr. ROMRELL. Thank you, Senator Pryor. There are some things that we have as a zero tolerance policy, but it really depends on the situation, and it is one of the challenges in the moving industry, and the way the regulations are written. Carriers have some leeway, whether it is through a broker or their own estimator, to make changes to the estimate when they show up, and that is where I mentioned in my written testimony there are some misunderstandings between customers and carriers.

So, even if a customer complains, in some cases it is not a regulatory violation, and it is not a bad action on the case of the carrier. Sometimes it is just a misunderstanding. So, we have to look at the situation and assess it.

If we have a carrier that is a bad actor—and I am not sitting here saying we do great every time, all the time. We strive too, but we make mistakes. But, when we do see those bad actors, then we have to contact the carrier the minute that report comes in. The minute the complaint comes in, we are on the phone with the carrier saying, "What is your side of the story? Tell us what happened."

Right, or wrong, we push them with our influence, which is all we have, to make the situation right for the customer. We are in an awkward situation because all we really have is for leverage is our relationship with the carrier. So, we push them, and sometimes we will actually pay the carrier off to deliver goods, and then we will deal with the carrier after the customer has been taken care of. So, it is really a case-by-case evaluation that we go through.

Senator PRYOR. I think the better—not telling you how to run your business, but I think the better policy is the old adage that is the customer is always right and more of a zero tolerance standard, unless it is justifiable for some reason, clearly justifiable for some reason with your carrier. I think you would be a lot better off, and I also think you would play a role in reducing a lot of the fraud and the problems around the country. To me, that would be you taking responsibility and taking the proper steps.

Mr. Chairman, let me, if I may, just pursue one more very short line of questions.

Mr. Romrell, in your opening statement, you talked about how you are a broker, and that you made it clear that you are a broker to the consumer. Now, I have a little advantage here. I am a lawyer, and I used to be the attorney general. So, we spent a lot of time in consumer law. So, the way I look at something may not always be the way the general public sees it.

But, when I look at your website, which I have a copy of here, I think your website is misleading, at least in a couple of ways, and I just would like to get your comments on it.

First, I would say that, even though you say you make it clear that you are a broker, I do not think the website makes it that clear, and also, I think that you never, at least not that I could see on the website, you never really explain what that means to be a broker. You know, you do not clearly explain that, at least not that I can find, that you are really an intermediary between—now, it

may be somewhere in the fine print, but it was not obvious to me when I read through it here.

And, that, I think, is a significant concern because, in the world of the Internet, it is always a challenge that people understand who they are dealing with. So, I did want to bring that to your attention.

The other thing about this, about your website, and I will be glad to let you respond to the first thing as well, but let me go ahead and get this second point in. I noticed on here that you talk about, and I am seeing, one, two, three, four, just in the first two pages of the website, four references to reviews that you can get on here and read the reviews from others.

I am guessing that you do not put the negative reviews on your website. I did not see any. And, to me, that is misleading if you are only telling part of the story, but you are not telling the rest of the story. And, I think your customers have a right to know if there have been a lot of complaints.

So, I would like for you to respond to both of those.

Mr. ROMRELL. Thank you, Senator. The explanation on the website, if you have not seen it yet, I would urge you to click on the video that is on the homepage. It is very prominently displayed at the very top.

Senator PRYOR. Yes, it is right there, a little video clip.

Mr. ROMRELL. Yes, and also I think the image has a link to the video. The video explains our business model as a broker. It lays it out in a graphic audio visual way, very clearly. There is nothing misleading, if you watch that video, about our role as a broker. We follow the regs, and list our status as a broker, our MC and DOT numbers, and those give consumers options to say, "Can I go to the FMCSA and look at your reviews?"

There are a lot of other rating agencies industry-wide, and consumer rating in general, that have reviews for us. So, it is an interesting idea to post the good and the bad. We have not done a great job collecting a lot of positive reviews. It is something we are doing more of now, actually surveying our customers after the move, and we are getting a good response rate and some very positive feedback.

But, the last step in the process before we do business, before we have a business relationship with a consumer, is to send them our binding estimate, and our binding estimate is not an obligation for them, it is not a payment document. It is their chance to say, "What are you telling me you are going to do?"

And I have written this in a way, revised the estimate we used to use in a way that it is not full of legalese, and there is no fine print. And, the very first paragraph where it says "General Information," the very first line there says, "As a moving broker licensed with the FMCSA, an agency with the DOT, Budget Van Lines matches your moving needs with a carrier that is insured and licensed by the DOT," and we reference our role as a broker ten times in our written estimate, clearly displaying our role as a broker on the top, and throughout.

So, this is the consumer's chance, if they read it, which is a challenge that is a challenge in any industry, if they read it, there is

no question before they decide to do business with us that we are a broker and we are only an intermediary.

Senator PRYOR. I will look at the video, but one point, and I will even look at your form if you want me to, but one more point on that is that, I think one thing that causes confusion—my guess would be, one thing that causes confusion in the consumer's mind, is on your website, at least on two, or three, or four occasions, in big, nice, bold letters you talk about full-service moves.

And, I think when people say on I'm on Budget Van Lines full-service moves, even though you have said broker at different places, they are thinking that you guys do the move. Now, you all may not have intended that, but I do think that would be confusing to consumers.

Mr. ROMRELL. Can I respond to that?

Senator PRYOR. Sure.

Mr. ROMRELL. Senator, I think there are two issues actually. The full-service move is an industry term that means something to people in the industry. Consumers may not understand that. I can concede that point. The other issue, and I was just talking to Mr. Barry about this earlier this morning is, I do not think consumers realize that there is a broker industry within the moving industry itself. So, even if they see broker, it may not register, and that is an opportunity for the industry itself, and for us to educate consumers better.

Senator PRYOR. Right. From my stand point, the fact that there is a broker, just by virtually being a broker is not a deal killer, it is not a bad thing necessarily. But, what I would hope is my broker would be out there picking reputable companies for me to deal with, and I think that is part of this consumer-broker relationship that you need to safeguard and work on. So, that would be my concern.

Mr. Chairman, thank you.

The CHAIRMAN. Thank you, Senator Pryor. I am somewhat amazed that we are spending so much time on Mr. Romrell. I do not know what the heck you are in business for, and I want to go to Ms. Darr. You booted him out. You terminated him. You terminated him. Why did you terminate him?

Ms. DARR. We terminated Budget Van Lines because of their history with the Better Business Bureau and unsatisfactory ratings.

The CHAIRMAN. How many people do you terminate?

Ms. DARR. Well, I mentioned in my testimony the first time that we did our review of all of our movers, the several thousand movers, we terminated 200 movers in the first year. It is pretty significant. But, as time goes on, our movers have kind of stepped up to the plate, and they are used to the screening and the standards that we apply. We feel like the boats have risen, and those that have not, we found maybe 20 to 25 a year that we have to get rid of during the course of the year.

The CHAIRMAN. Maybe somebody, the four of you, can help me understand why brokers have to exist at all? I mean, in other words, do you not have all of these moving vans? Can people call you and get advice? Do you offer advice? Do you have to rely on him?

I mean, do you understand that many of the people who have relied on him, when they got in trouble, received absolutely no assistance whatsoever? They just walked away from them. I see him as nothing but trouble, and I am really trying to figure out in my own mind, good grief, what Ms. Kovalcik must be thinking.

I do not know why he is in business. I do not know how he makes his money. What does he make it off of? What service does he render? He spends 2 hours, he said, I doubt that happens very often, you know, scanning a living room which he never gets into, to offer a price, and then he produces, or does not produce, I do not know if he does produce or does not produce. He takes a name, which implies that he is a moving company, just like Senator Pryor said. I would believe, based upon what Senator Pryor said in that paper, what I had seen before, that he is a mover. What is he doing in business? Why is he in business? Please answer me. You were not happy when he was talking. I was watching your body language.

Ms. DARR. Thank you, Mr. Chairman. I guess you were noticing my body language on a couple occasions. We are concerned about consumers hiring brokers rather than going directly to the mover. We are concerned about consumers having estimates provided over the phone, rather than the mover coming into the house and providing a written in-home estimate, which we believe is their practice.

The CHAIRMAN. If Ms. Kovalcik wanted to find a mover, how would she have done it? Not using him.

Ms. DARR. She would—I would have recommended her to come to the American Moving and Storage Association for us to recommend a mover.

The CHAIRMAN. That sounds like a great idea.

Ms. DARR. We provide recommendations.

The CHAIRMAN. Do you put yourself forward? Does she have reason to know about you?

Ms. DARR. It is very—we do try to put ourselves forward. The ProMover Program is what we are trying to make the brand of the industry, and we are trying to create a standard high enough that movers are gravitating toward it, they know that it is necessary to be a part of the ProMover Program in order to be successful in this industry, but it is difficult, because as you noted earlier, Mr. Chairman, people move very rarely. It is not like what kind of cereal you eat every day.

So, it is hard to get the penetration, the brand penetration, that we need for a program like this, but we have made a lot of good progress. It has been five and a half years, and we are getting a lot of good press. The Federal Motor Carrier Safety Administration has been helpful coming out with press releases and talking about the importance of the program. We work very closely with the Better Business Bureau.

All of those steps are leading people to come to the American Moving and Storage Association to look for a recommendation and to hire a legitimate mover. There are limitations, and I have to say I think that there is more that we could do with the Federal Motor Carrier Safety Administration to promote the ProMover Program. I think that there is also more that we could do with FMCSA to

promote the MoveRescue program that we talked about. And finally, I think we should take the MoveRescue program to a higher level, and I think Senator DeMint had a really interesting concept. You know, put on the back of a truck, you know, how is your move? I mean, why cannot there be a 1–800 number for people that are having problems with their move, and if there were, that number could come into a call center, for a program like MoveRescue.

The problem right now is that MoveRescue is run by a private entity. There is not a partnership, a formal partnership, with the Federal Motor Carrier Safety Administration in place, and we think that is absolutely critical. It was proposed in the bill, it did not make it through, but the administrator talks about force multipliers.

The industry is there, to be a force multiplier, it is in our own best interest that we get rid of the rogues, and honestly, to some extent, a lot of our movers would like to eliminate the amount of business that brokers have in the industry, because in some cases that is money taken out of their pocket. But, we can only do that if we are given the opportunity through programs like MoveRescue and working with FMCSA to let people know about the concerns, give them a simple course of action to address these issues, and then once they make that call, there have enforcement people on the ground to deal with these issues, and with ten full-time inspectors for our entire industry, it seems a little crazy to me. I have to be honest. I believe it was 170 under the ICC, but we need to check those numbers.

The CHAIRMAN. Yes, welcome to Federal budgeting.

Ms. DARR. Yes.

The CHAIRMAN. I mean this, it is a horrible thing.

Ms. DARR. It is a horrible thing.

The CHAIRMAN. I am humiliated and embarrassed that that is the case. Then it could get worse. Maybe the economy will come back and it will get much better.

Ms. DARR. Sir, I would add——

Mr. CHAIRMAN. You terminated him.

Ms. DARR. I did.

The CHAIRMAN. So why are we sitting here discussing him as a useful component in this decision process that Ms. Kovalcik went through? Why is it necessary that he be involved, or his people be involved? I think he false advertises, he gives the impression he is a moving company, and he is not full-service, and he is not—he does not show up at the house. You know, to me it is one-sided, and maybe I am wrong, so I am going to turn to Ms. Ferro and Mr. Barry, and you can give me a scolding if you want too, but I do not think you will.

Ms. FERRO. Mr. Chairman, the question of why are brokers in business in the household goods moving industry is a tough one to answer, because that is a longstanding practice. It is sort of a because they can.

The law, the Federal law, overseeing the movement of freight, allows for a broker industry in all aspects, whether it is a household goods mover or a standard freight mover. As I mentioned, we have 21,000 brokers in our oversight structure that have authority through the Federal Administration, FMCSA, to operate, and about

four or five hundred of those are household goods brokers, specifically.

We are absolutely committed to pursuing the provisions of the broker rule that we put in place last year, to ensure that, since brokers operate, that they are required to demonstrate full disclosure, that we hold them to that, and that we continue to identify as we have, and are doing right now as we can carry out two pretty significant investigations, the data points that are indicators of patterns of potential violations so we can prevent the kind of fraud that you have heard about today, and that I know you have heard from constituents on, so that we can continue to pursue that.

The CHAIRMAN. Now Ms. Darr can terminate him, figuratively speaking. You can, too.

Ms. DARR. We can now. Yes, we will take——

The CHAIRMAN. Because of the new authority?

Ms. DARR. With the authority we have, and we have issued much clearer enforcement policies where we identify evidence of hostage loads. Now, this is where it is a little tougher to link to a broker, because again the broker does not have the assets. But, where we can create those links and pursue other areas of violation, we can suspend and revoke a broker's membership.

The CHAIRMAN. Now, remember that the person who is the center of all of this is Ms. Kovalcik. And, I do not know this, but I am going to guess, Mr. Romrell, that you have changed your website, since we started investigating, and you knew that we were.

Mr. ROMRELL. Mr. Chairman, I am not——

The CHAIRMAN. Can you just say yes or no?

Mr. ROMRELL. I am not aware of any changes since the investigation started, any substantive change.

The CHAIRMAN. I am not aware. All right. Could you follow that up? We will follow that up.

Mr. ROMRELL. Absolutely, yes.

The CHAIRMAN. OK. It is just crazy. It is just crazy. She is the person who is going to pay, Ms. Kovalcik, some money to be able to do something which happens in America and frequently to individual families, but in an aggregate manner happens a lot. And, you say the rules and regulations allow them to exist, and then I look at them and I look at Ms. Darr, and she has terminated him, she does not want anything to do with him. No affect on him, no affect on him at all. Goes right ahead and does his business. Terminated by Ms. Darr, well that is too bad, but I will go ahead and keep on with what I am doing, which is making a misery of Ms. Kovalcik's experience.

Now, I have to leave in about 5 minutes, but I am really stunned by all of this. You know, at this point it is just like what happened on Wall Street, you know, *Too Big To Fail,* and then that wonderful question that Hank Paulson asks at the end of the movie when they have got what $125 billion or $700 billion they have given to the big banks, and then somebody says, "Now, they are going to use that for housing aren't they?" And, Mr. Paulson is not sure, and the movie ends while he is saying, looking out a blank window, with a blank stare, and a sad face, "I hope they do." And they didn't. They spent it all on rewarding themselves on salaries.

And, it just absolutely defies my imagination that some of those people have not gone to jail. I think going to jail is a big deal. Certainly is for the person who does go to jail. I think it is a big deal for all of those who are contemplating doing business on an important sector and important people, like Ms. Kovalcik who has not had much of a chance to talk here, and she cannot defend herself against his company.

He false advertises what he is doing, then he says it is fully explained, but if the word full-service is in there what in the heavens name do you expect Ms. Kovalcik to think he is? That he is a moving company. That is what he is, but of course he is not, and has never been in her place, has no idea, although he spends 2 hours on the phone. What he does for those 2 hours on the phone I have absolutely no idea. How big is the chandelier? How big is your living room table? I mean all that kind of thing, I have no idea.

But, it just does not hold water to me, and it strikes me as it may be legal, and if it is legal under your definitions, and rules, and regulations, and yours, Mr. Barry, then there is not a whole lot I can say, except complain mightily, and try and get your budgets in place so that you can—and of course, the public never understands that, you know, that you do not have enough people. They just say, "Well, I have got a problem, and nobody is helping me," and you want to and you cannot because you do not have enough people. So, that is part of our responsibility.

But, I do not understand why he is business, because he misled a lot of people, abandoned a lot of people, they have told us, because we have been working on this for many, many months, and it is just wrong.

Ms. Kovalcik, you are going to end this hearing with whatever is in your heart.

Ms. KOVALCIK. You know, I was also really attracted to Ranking Member DeMint's comment about having a hotline. When this happened to us, I knew the police were not the right people to call, but they were the most immediate, and I recognized that budgets are tight and you cannot have—you know, you cannot call someone and have the moving police come to your door 10 seconds later. I understand that.

But, I do consider myself to be a savvy consumer, and I did do my homework, and if there had been a number to call, I would have called it. Instead, I had to think, OK, interstate transit, who is going to regulate that? OK, shipping, who is going to regulate that? And find these things throw my own knowledge base.

I would love it if there was a number, even if the truck was not reputable and they did not have the number listed, but I could search and find the number, and then there be some relationship with local law enforcement where they at least they could detain the truck, and then, you know, whoever needs to sort it out, can sort it out.

But, the police told me, you know, this is a contract dispute, it is not our problem. So, there was no immediate solution, and then the truck is gone, and then that is too late. And, when we searched for moving companies, I had never heard of Ms. Darr's organization. So, when a consumer is searching that does not come up for them.

So, I would love the idea of a hotline, and maybe some way at the very least whoever is the local law enforcement could stop what is happening, and then the agency that really needs to handle it, could come and intervene.

The CHAIRMAN. Yes, because they had a bill of lading, and that was very compelling to you. Bill of lading is a bill of lading. Something sort of final, and professional, and legal about that, except it just does not mean anything, when the mover comes in and has a different one, and asks you to sign up at a much higher price, and says if you do not do it he is going to hold you hostage.

This Committee's work is to make sure that people like you, Ms. Kovalcik, do not get held hostage. You happened to be very smart, and you did a whole lot more, you know, sort of smart, investigatory work then would be the case for most families. So, in fact, you are, untypical, unlikely to have this happen too, but it did happen to you, because there is a limit to what you can do, and I feel incredibly, badly about that.

So, I am going to adjourn this hearing, and I am a very unhappy Chairman, and when I took over as Chairman I formed an investigative committee. I took that idea from Henry Waxman, and I have sitting behind me, some highly trained lawyers, who look for malevolence wherever they can find it. They do not look at airline schedules, or slots at Washington Reagan National Airport, whatever. They just look for consumers getting the bad end of the deal, and I think that is an honorable and sacred work, and so do you, and so do you, and it is what you do.

So, let us just agree that we have to pursue this, let us understand that Mr. Romrell has been terminated, kicked out, by the trade association, and that Ms. Kovalcik has had a horrible experience and came all the way down here to tell us about it, which is very brave. Although you are not shy, you did extremely well. So, having said all of that, we have work to do, do we not?

This hearing is adjourned.

[Whereupon, at 11:52 a.m., the hearing was adjourned.]

A P P E N D I X

BUDGET VAN LINES RESPONSE TO SEPTEMBER 12, 2012 COMMITTEE STAFF REPORT

BUDGET VAN LINES
Los Angeles, CA, October 26, 2012

Hon. JOHN D. ROCKEFELLER IV,
United States Senate,
Chairman,
Senate Committee on Commerce, Science, and Transportation,
Washington, DC.

Dear Chairman Rockefeller:

On behalf of Budget Van Lines, Inc., we offer this response to the September 19, 2012 Committee Staff Report "Internet Moving Brokers—A New Consumer Protection Problem In The Household Goods Moving Industry". We respectfully request that our comments be made part of the official hearing record for the hearing held on this subject on September 20, 2012.

We appreciate the work of the Committee to investigate issues in the household goods industry. Budget Van Lines has been cooperative throughout the Committee's investigation by providing over 500,000 pages of documents to assist its investigation and was the only corporate entity investigated that agreed to testify at the September 20th hearing. We agree that the household goods brokers and carriers and the enforcement community can do a better job to ensure consumers have good moving experiences. Budget Van Lines has been working hard over the last several years to continually enhance its policies and procedures with this goal in mind. We acknowledge that there are still areas of improvement within our company where we can further reduce the complications consumers sometimes face with a household goods move. In addition, we will continue to work with the Committee, industry leaders and the Federal Motor Carrier Safety Administration to identify and implement industry-wide solutions. We support strong enforcement of existing Federal regulations, enhancements included in the recently passed MAP–21 legislation, and future legislative and regulatory changes that will ensure the industry operates optimally.

Budget Van Lines agrees with the report's concerns with unethical and unscrupulous brokers and carriers that do not comply with regulations and create difficult situations for consumers. Budget Van Lines agrees with the report's concern with brokers and carriers that do not follow regulations and supports the strongest levels of enforcement to get these entities out of the business. The entire household goods industry suffers from the actions of a few bad actors. Household goods brokers that misrepresent themselves to consumers, evade regulations or operate under multiple names are problematic and should not be permitted to operate. Rogue carriers and unethical brokers should be investigated and put out of business.

However, household goods brokering by ethical brokers is a legitimate business with many benefits for consumers and carriers. Brokering is a common business model in many industries helping consumers save time and money. In the household goods industry, brokers help customers by providing easy access to more transportation options, lower costs and time savings. We help carriers, many of them small businesses, operate more efficiently by helping them connect with customers and giving them a way to fill return trips and partial loads. Honest and ethical brokers ensure consumers have access to reasonably priced moves and ensure that independent carriers will continue to survive and thrive. Without brokers, moving costs for all consumers would be much more expensive and harder to obtain and many smaller carriers would not be in business.

Budget Van Lines agrees with the report that brokers that engage in the practice of intentional low-balling of estimates to get business mislead and confuse consumers. If brokers are engaging in this practice, they should be investigated and put out of business. Budget Van Lines does NOT engage in this practice. Our sales rep-

resentatives are trained to complete as thorough an inventory as possible and to prepare estimates that are complete and fair. We do not earn and our sales personnel to not receive a commission on additional or adjusted charge assessed by the motor carrier at pickup or delivery, even when the carrier and the customer agree to a revised estimate. Therefore, there is no incentive whatsoever to underestimate the cost of a particular job. In addition, Budget Van Lines closing rate on estimates is between 3 percent and 6 percent. What this means is that of the estimates we provide, only a small portion of them actually turn into moving jobs. If we were intentionally low-balling estimates, our closing rate would be much higher.

Budget Van Lines agrees with the report's concerns about unscrupulous brokers that collect booking fees and deposits and do not perform legitimate services or credit them to carriers. Budget Van Lines collects a booking fee and a deposit for its services at the time the move is booked. Budget Van Lines credits the deposit to the customer against the total cost of the move and reflects the motor carrier's fee for the services Budget Van Lines provides. Motor carriers who work with Budget Van Lines do not have to incur the same expenses for marketing to prospective customers, taking routine calls with questions about the moving process, creating inventories, preparing estimates or addressing customer service concerns before goods are shipped. The provision of these services by Budget Van Lines offers considerable savings in overhead for the motor carriers. The booking fee and deposits are separately itemized on the estimate. In addition, the booking fee and deposit ensures the customer that Budget Van Lines will provide as accurate an estimate as possible, arrange the move with a reputable and licensed carrier, and be available to help resolve disputes or issues should they arise. If unscrupulous brokers are collecting fees and deposits and not performing legitimate services, they should be investigated and put out of business.

Budget Van Lines agrees with the report's concern that many consumers do not understand what a household goods broker does, leading to confusion for consumers and that some unscrupulous brokers are intentionally misleading consumers. Budget Van Lines has operated as a federally-licensed household goods broker since 2005, operating continuously under the same name. We have always intentionally represented ourselves as a broker and not a carrier. We do this in prominent ways on our website, documents and estimates and through our sales personnel. Sales representatives are trained diligently to disclose our role as a broker and are terminated if they would attempt by action or omission to mislead a potential customer into thinking otherwise. This is a zero tolerance policy for our company. In addition, these disclosures and policies were all in place before the Committee's investigation began. That being said, we acknowledge that many consumers may not understand what a broker is and this can lead to confusion. Budget Van Lines believes more can be done to further improve our corporate communications regarding explanations of the role of a household goods broker, how we interact with qualified carriers, the broker's role in the moving process and procedures to follow for when a problem arises during a move.

Budget Van Lines believes the report's analyses based on volume of complaints against our company based solely on raw numbers could be improved by evaluating a company's complaint ratio instead. The complaint ratio is the relationship between the numbers of complaints to the numbers of jobs handled. We believe this is the only meaningful and relevant data point. Without using the complaint ratio as a measuring stick, it is impossible to assess whether the number of complaints is high or low or whether they are increasing or decreasing over time as a percentage of jobs performed. The use of raw volume data alone is misleading and does not aid in identifying problems, bad actors or overall industry trends. The staff report shows that over a five year period, Budget Van Lines had 200 total complaints. However, over that period, Budget arranged over 30,000 moves, resulting in a relatively low complaint ratio of .006, which is not reflected in the report. Budget is one of the Nation's largest household goods brokers and has grown significantly each year over that time period, which we attribute to operating our company with a high level of integrity, referrals from past customers and our ability to provide consumers with quality and cost-effective moves. While we strive for a positive moving experience for every customer, occasionally problems do occur and we endeavor to intervene and resolve them on behalf of our customers when they do.

Budget Van Lines agrees with the report's concern with unexpected price increases from original estimates to price of actual moves. Motor carriers are not required by Federal regulations to, and as a matter of practice do not provide us information on price increase from original estimates. However, in an analysis of customer complaints on file, Budget Van Lines estimates that approximately 15–25 percent of our nonbinding estimates result in a price increase to the customer beyond the 110 percent rule. While no estimate will ever be perfectly accurate due to the need to weigh

the shipment at actual loading, Budget Van Lines agrees that more can be done to reduce the number of jobs resulting in price increases. Budget Van Lines agrees that unexpected price increases in the industry can sometimes create situations where consumers are treated unfairly. There are many reasons for price increases. Inventories are not accurate, estimates are not understood, customers have high demand for written estimates or carriers are unscrupulous. Budget Van Lines has spent considerable time and effort improving our internal processes, and we still can and continually strive to do better. We routinely evaluate and reevaluate every aspect of our operations and continue to make refinements. Just over the last two years, we have revised and improved our estimates for more clarity and eliminated legalese and fine print. We have implemented better and more consistent training of our sales and customer service teams. We have a quality assurance department that screens every estimate for obvious errors and omissions and continually evaluates performance of our sales representatives. We have a robust carrier screening process that goes above and beyond what is required by law. We are developing a smart phone application that will help us provide a visual tool to aid in producing more accurate estimates. Budget Van Lines is at the forefront of the industry in trying to improve the customer experience. Changes to the regulatory scheme should be considered if such changes could reduce the frequency of customer complaints where the price of a move based on a nonbinding estimate increases above 110 percent. In our testimony of September 20th, we included 17 individual proposals recommendations for brokers, carriers and the FMCSA to improve the process and commend them to the Committee's consideration.

Budget Van Lines believes the comprehensive fact situations surrounding each of the specific case examples involving Budget Van Lines are not fully acknowledged in the report. There are specific circumstances surrounding each of the cases analyzed in the report which were not sought out by the Committee nor included in the report. In each situation cited, Budget Van Lines attempted to resolve the conflict at issue. From our perspective, these cases are not indicative of systemic problems with the company's processes. We would welcome the opportunity to walk through the fact situations surrounding these examples for the benefit of the Committee.

In conclusion, we appreciate the work of the Committee and the opportunity to respond to the staff report. We look forward to working with the Committee going forward to address the concerns that have been raised.

Sincerely yours,

JASON ROMRELL,
President and CLO,
Budget Van Lines Inc.

cc: Ranking Member, Senator Jim DeMint

STATEMENT OF THE UNIGROUP, INC. MOVE RESCUE PROGRAM

The Move Rescue program was launched by UniGroup, Inc. in 2003 as a resource for consumers who fall victim to criminals when moving across state lines. Just four years later, our program was the only consumer advocacy group recognized by the U.S. Government Accountability Office in its report to Congress on the household goods moving industry.[1]

UniGroup is the parent corporation of two of the Nation's largest household goods movers, United Van Lines, LLC and Mayflower Transit, LLC. The Move Rescue program leverages the UniGroup-owned van lines' combined decades of quality industry service to aide all consumers regardless of which mover they chose. The moving public can access Move Rescue services by going online at *www.MoveRescue.com,* or by calling the toll-free Move Rescue Help Line [telephone number removed]. Using Move Rescue, consumers will find a large breadth of educational resources—including what to look for when moving and how to avoid falling victim—and their options if they believe they have already been scammed.

In addition to real-time consumer advocacy, Move Rescue also provides consumers with access to a nationwide network of transportation attorneys who make pro bono commitments to our program. Moreover, in extreme cases of hostage goods or abandonment UniGroup's two licensed moving companies can be counted on to provide emergency transportation services known as "Shipment Rescues" at no cost to consumers.

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[1] *GAO, Consumer Protection: Some Improvement in Federal Oversight of Household Goods Moving Industry Since 2001, But More Action Needed to Better Protect Individual Consumers, GAO–07–586 (Washington, D.C., May 16, 2007).*

Over the last nine years, Move Rescue's toll-free Help Line has received around 2,500 calls from moving consumers in need of our free assistance and education services. Move Rescue strives to develop collaborative relationships with state and Federal regulatory agencies and law enforcement officials to in order to effectively combat the criminals who prey on moving consumers, including through the coordinated location and recovery of consumers' property. All Move Rescue callers are asked to also file their complaints with the FMCSA complaint database, and we refer the most egregious matters directly to FMCSA personnel.

STATEMENT FOR RECORD

On behalf of UniGroup's Move Rescue program, we appreciate this opportunity to provide the Committee with a statement for its hearing entitled "Taking Consumers for a Ride: Business Practices in the Household Goods Moving Industry."

For nearly a decade, the Move Rescue program has committed industry expertise and assets toward educating consumers and finding innovative ways to protect them from the actions of criminals posing as movers. While the frequency of actual crimes committed against moving consumers is relatively low, various government reports [2] suggest that on average less than one-half of 1 percent of the approximate 1.3 to 1.5 million moving consumers annually report actual crimes, we nonetheless recognize that such crimes are financially and emotionally devastating to the consumers involved.

This Committee's interest in Internet brokers is appropriate. In fact, the two Internet brokers identified in the Committee's early investigation and hearing are, in terms of total complaints received by Move Rescue in its history, the most serious of the offenders investigated by the Committee.

Move Rescue receives on average 300 consumer calls per year, and has responded to around 2,500 consumer complaints in its nine-year history. Based on our observations, the thousands of legitimate, hard-working, licensed household goods movers are not committing the egregious crimes against moving consumers. Instead, we believe that it is usually online brokers and other fly-by-night individuals who pose as legitimate, licensed household goods carriers in order to perpetrate such frauds on moving consumers.

Today it is just too easy for criminals to prey upon the moving public via the Internet. Indeed, we believe that this problem exists because the creation of attractive-to-consumer websites is the only practical barrier to market entry for illegal online brokers, who often ignore Federal licensing requirements. During the course of assisting moving consumers, Move Rescue has found many Internet-based brokers who operate from apartment homes, while their websites suggests that they are instead sophisticated nationwide van lines.

Move Rescue is concerned that moving consumers can be easily mislead by flashy Internet marketing tactics and unrealistically low moving quotes, and are subsequently victimized through such Internet brokers' outright deception. We have observed from assisting our callers that Internet-based brokers do not perform visual surveys of the property to be moved and provide low-ball moving estimates. These consumers are asked to pay significant amounts of money in disguised broker fees, and ultimately end up handing their worldly possessions over to undisclosed third-parties that they never heard of before the trucks show up in their driveways. In the most egregious cases, the Internet brokers then seemingly disappear, and the so-called movers hold the consumers' property hostage until they pay significantly more money than quoted by the brokers.We concur with the Committee, without reservation, that there is no place for such deceptive Internet brokers in the interstate household goods moving industry, whose customers have been given special protections by the Federal Government. The industry is in a unique position with relation to its consumers, as its service providers are in a position to enter into its customers' private homes; to personally interact with their consumers' family members; and to take possession of all the consumers' personal property.

Move Rescue urges Congress to provide Federal enforcement officials with the resources that they require to fully enforce existing Federal laws and regulations. Based on our industry knowledge and years of experience in helping victims of

[2] See, *GAO, Consumer Protection: Some Improvement in Federal Oversight of Household Goods Moving Industry Since 2001, But More Action Needed to Better Protect Individual Consumers, GAO–07–586 (Washington, D.C., May 16, 2007); GAO Consumer Protection: 'Household Goods Moving Industry: Progress Has Been Made in Enforcement, but Increased Focus on Consumer Protection Is Needed,* GAO–10–38 (Washington, D.C., November 30, 2009) and U.S. Senate Committee on Commerce, Science and Transportation Staff Report: *Internet Brokers: A New Consumer Protection Problem in the Household Goods Moving Industry,* September 19, 2012.

fraud, Move Rescue is confident that enforcement of existing regulatory requirements is the solution to this problem, and more resources are needed.

According to one government report, in 2009 the FMCSA had assigned 14 of its roughly 1,100 staff to oversee the interstate household goods moving industry—5 staff at its headquarters and 9 staff in field offices. Among the 9 field staff, 8 were our household goods specialists.[3] Only 1 of the 8 was dedicated 100 percent of his time to household goods enforcement, while the others were also responsible for enforcing safety regulations.[4] A little less than half of the 255 safety investigators in FMCSA's field offices had taken household goods training and could assist in enforcement,[5] though they also had other duties.

Move Rescue believes that increased funding for the FMCSA's household goods enforcement efforts could permit the agency to devote significantly more staff exclusively to combating illegitimate Internet brokers and protecting the moving public. We believe that funding enforcement and consumer education efforts will permanently rid the industry of criminals and help *all* of the million or more consumers who move annually to avoid illegitimate Internet brokers.

New laws, regulation or programs are neither necessary nor helpful for combating the bad Internet brokers. In fact, any additional rules or penalties are unlikely to influence the behavior of criminals as long as the current enforcement levels are maintained. Rather, additional regulations stand to harm both legitimate, hard-working, licensed movers and the consumers they serve, who will pay higher costs for lawful services or may be even more tempted to unwittingly select a seemingly low-cost criminal online.

We believe that existing Federal laws and regulations already successfully target and prohibit the improper practices of Internet brokers. Through SAFETEA–LU and MAP–21, Congress provided the FMCSA with powerful enforcement resources to ensure regulatory compliance and impose fines and penalties. With adequate funding, the FMCSA could provide protection to consumers without detrimentally affecting legitimate, hard-working, licensed moving companies.

Finally, Move Rescue considers increased education as part of an overall approach that, along with increased enforcement, will help guard consumers against the acts of unscrupulous Internet brokers. We support the efforts of the FMCSA in proactively educating moving consumers about their rights through their "Protect Your Move" Website and consumer pamphlets, "Your Rights and Responsibilities When You Move" and "Ready to Move." Consumers must be well-informed when deciding upon a mover—just as they would for any other major consumer purchase. Move Rescue believes that working together, the agency, industry, and the American Moving and Storage Association and its ProMover program are collectively taking positive steps to increase the effectiveness of consumer education.

Move Rescue thanks the Committee for allowing us to provide our perspective.

PREPARED STATEMENT OF ALDO DISORBO

Mr. Chairman, I commend you for initiating this hearing into the unfair practices that can occur within the moving industry. I am sorry that I could not be here today. Please accept this written testimony in my place, and I look forward to working with your staff to help the Committee prepare its report.

As a long-time veteran of the moving industry—and an owner of nine carrier and broker companies—I strongly believe the Federal government must do more to protect consumers from the dishonest practices some moving and broker companies may engage in. I have advocated for stronger consumer protection laws in the past and I was pleased that, as part of the 2012 Federal surface transportation bill, Congress recently enacted some of the stricter regulatory standards I have been publicly advocating for since 2007, such as requiring carriers to pass a proficiency exam before becoming licensed.

Mr. Chairman, the moving industry has unfortunately become home to too many unscrupulous and dishonest scam artists that create the hostage situations you read about today. This is due to several reasons.

First, consumers in the market for moving services are particularly vulnerable to scam artists because consumers have little leverage or recourse when a carrier or broker company takes advantage of them. Consumers often need to move by a certain date and often must have their household goods delivered by a certain date. Accordingly, consumers can be put in a difficult situation if a carrier wrongly

[3] GAO–10–38.
[4] *Id.*
[5] *Id.*

changes the price at the last minute. The consumer can object, but the carrier sometimes either refuses to conduct the move or deliver their goods. Alternatively, the consumer can pay the increased price and later challenge the company. But bad actor companies often make it very difficult for a consumer to recover the overpayment. Many times, consumers turn to my companies for assistance in these situations.

Second, in recent years, there has been a large increase in bargain-seeking consumers and bargain carrier and broker companies; many of whom have no experience in moving but who offer great deals and then later raise their prices. The increase in bargain-seeking consumers may be attributed to these difficult economic times. And the increase in bargain companies stems from the Internet, which has made it easy for anyone to start one of these companies.

In short, your Committee's investigation is badly needed. My employees and I support your efforts and have worked with your staff over the last nine months to assist your Committee with this investigation. We have produced over 12,000 pages of documents and have responded to dozens of staff inquiries about my business.

The Committee also asked me to produce consumer complaints I have received. I have produced 180 complaints from 2011. I have given you full complaint files, some of which contain comments from unhappy consumers. In reviewing these complaints, I have three important points I would like to the Committee to acknowledge:

1. Not all the complaints I produced were against my company; the documents include complaints against independent carriers that consumers asked my companies to help with.
2. I produced complete files, several of which described difficult consumer experiences. In consideration for producing the files, I would like to explain the rest of the story, and how things were resolved.
3. Further, the complaints documented in these records represent just a small fraction of the moves my companies arranged or conducted. Specifically, my companies arranged or conducted 14,507 moves in 2011. Of those 14,507 moves, roughly 180 prompted complaints to the Better Business Bureau, state attorney generals, or the Department of Transportation on the subjects that the Committee is interested in (price changes, late deliveries, and goods being held in custody). That is about one percent of the moves my companies arranged or conducted. In other words, the vast majority of customers who book moves through my companies—about 99 percent of them—do not experience these issues.

I have voluntarily cooperated with the Committee's requests because I share your concerns about protecting consumers and am optimistic this Committee can help solve the serious problems in the moving industry. In fact, I have several legislative and regulatory recommendations that I have included at the end of my testimony to improve the broker industry.

Mr. Chairman, solutions are needed for two reasons: to protect consumers who are taken advantage of by bad actors and to protect the honest businessmen's reputation in the moving industry from scam artists that openly flout the law. But Mr. Chairman, the only way to truly address the problems in the moving industry is through an honest, balanced, and fair discussion. Here is probably the most important thing I can say today: *Not every price increase is the result of an unfair business practice.* As my testimony will show, moving prices quite frequently vary from the initial estimate to the final delivery price for a variety of legitimate reasons: consumers making additions to the list of goods to be shipped, changes in packing and moving instructions, and changes in delivery times and dates. I believe I can help the Committee sort out the legitimate from the illegitimate reasons—the good from bad and the honest from dishonest—to find solutions to address what can cause hostage situations.

In this statement, I will touch on the following topics that I hope are helpful to your work:

A. What are interstate broker companies and how do they operate?
B. Why do prices sometimes increase when a consumer books a move through a broker company? How do my companies address these issues?
C. How can the broker industry be improved to protect consumers from unfair price increases and other related practices?

A. Background on Interstate Broker Companies

The moving industry in the United States is a diverse and competitive industry. Consumers have a wide range of choices for types of moving services—from compa-

nies that do everything for the consumer to companies that just drop off a pod so the consumer can do-it-themselves.

Generally speaking, full-service, all-inclusive major van lines offer the most comprehensive service. These traditional van lines usually take care of everything for a consumer, including providing an in-home estimate and packing a consumer's household goods. The major van lines are large, sophisticated companies with thousands of employees nationwide. But these companies' services are very expensive; indeed, they are often too expensive for lower or middle-class families.

Consumers who do not need, or cannot afford, major van lines' services often turn to regional independent carriers. These carriers are often the proverbial "two guys and a truck." They are simple operations that do not have dedicated customer service personnel and cannot send employees to a consumer's home to provide an in-home, visual estimate. And the only way these carriers can profitably perform long-distance, inter-state moves is by moving several consumers in one trip. For example, a regional independent carrier may pick up a consumer's goods in Boston, a second consumer's goods in Washington, D.C., a third consumer's goods in Richmond, Virginia, and then drop off each consumer's goods at various locations along the East Coast. While regional independent carriers generally do not provide the same level of comprehensive service as the major van lines, they fill an important need in the industry by offering affordable services.

Broker companies perform the sales and marketing function for regional independent moving companies. Generally speaking, a broker markets moving services through the Internet, is contacted by a consumer, takes an inventory of the consumer's property over the telephone, identifies the origin and destination addresses, provides an *estimate* of the costs of services, accepts a booking deposit from the consumer, and then refers the booked job to an independent carrier within its network to conduct the move. A good broker helps guide a consumer through the stress and complex logistics of a long-distance move, something regional independent carriers often do not have the resources or expertise to handle. This often saves the consumer time, headaches, and money.

Many regional independent interstate moving companies could not exist—and their more affordable moving services could not exist—without broker company services. Some benefits of using a good broker company include:

- Reputable broker companies have a large network of regional independent carriers. This often allows a broker company to generate more competitive options and prices for a consumer than a consumer can negotiate with just one carrier on their own.
- Good broker companies work with consumers to generate a reliable estimate for their move. Rather than conducting an in-home review, the Broker makes an estimate based on an interview with the consumer about what they plan to move and whether there are any unique aspects to their manifest or the origin or destination locations, such as multiple flights of stairs or narrow streets that require shuttle services. If a consumer wants to use an independent carrier then, broker companies play a valuable role by using their software, expertise, and consumer service training to provide a consumer with an estimate of how much their move should cost. Thus, a good broker company can help a consumer in two important ways: (1) it can save consumers money by performing a phone estimate rather than an in-home estimate; and (2) if the consumer completely describes their move, it can provide an estimate that is *just as accurate* as an estimate generated by a more expensive company that would conduct an in-home estimate.
- Many independent carriers generally do not have their own dedicated customer service personnel. This means that when a consumer encounters a problem with their move, their independent carrier is not able to (and sometimes is not willing to) adequately assist them. Good broker companies have trained customer service personnel who mediate disputes between consumers and independent carriers. My broker companies help consumers throughout the duration of the move, advocate for the consumer when problems arise with the independent carrier, and take punitive action against bad actor companies in my broker companies' network. We even pay for part of a consumer's move if an irreconcilable dispute occurs.

In sum, broker companies are a critical component of the modern moving industry. Without brokers, consumers would be left with the options of full-service national van lines—an option that is financially out-of-reach for many Americans—or trying to find an independent carrier that may have the resources or capabilities

to provide the level of customer service most Americans expect. The problem is: how do we separate the good brokers from the bad.

B. Price Fluctuations Often Occur Because the Circumstances of the Move Change, Not From Unfair Business Practices

Mr. Chairman, your staff has advised me this investigation has primarily focused on one issue: Why can prices fluctuate from the time a consumer receives an initial estimate to the time a carrier charges them for the actual move? The Committee is absolutely correct to focus on this issue because many problems in the moving industry can be traced back to price variations between consumers' initial estimates and final prices. To address this problem, it is necessary to understand *why* final prices sometimes vary from initial estimates. It is my hope that I can help the Committee identify the root causes of this problem and, in turn, identify solutions that address these causes.

To identify why final prices sometimes vary from initial estimates, it is useful to break the consumer-broker-carrier interaction into its most basic form using a simple example like the following:

Let's say a consumer needs to move a six-foot couch from his Washington, D.C. apartment to an apartment in Chicago, Illinois. The consumer sees an advertisement on the Internet for a broker company. The consumer calls the broker company to ask for an estimate and speaks with the broker company's salesperson. That salesperson generates an estimate for moving a six-foot couch from Washington, D.C. to Chicago, Illinois. The broker company then finds a carrier within its network to conduct the move. But: let's say the carrier arrives at the consumer's apartment, and it turns out the consumer decides to move a coffee table in addition to the couch. The carrier must give the consumer the option to approve a new *estimate* on the spot before moving the couch and the additional coffee table. Next, the carrier takes the couch and the coffee table and begins the move. Before delivering the furniture, the carrier provides the consumer with a *price* which is based on the *actual weight* of the property. The carrier determines the actual weight of the property by weighing it on a certified scale (as we all know: some couches and coffee tables weigh more than others). Lastly, the carrier delivers the property once consumer pays the final price.

While a typical move will of course involve more goods than just a couch and a coffee table, that basic sequence will remain the same. In a perfect world, the initial estimate and Carrier's final price should not vary significantly. But as the Committee knows, significant variations between a consumer's move list, the broker company's estimate, and the carrier's final price do occur. Here are several causes:

1. Cause # 1: Communications Breakdowns Between Consumer and Estimator and Last-Minute Changes to Consumer's Moving Plan

In the above example, the carrier's final price will be higher than the initial estimate because the initial estimate was based on moving just a couch while the consumer actually needed to move a couch and a coffee table. In addition, if the consumer orders last minute packing services—for example, disassembly and reassembly of the coffee table—the carrier's final price will be higher than the estimate. The same will be true if the estimate fails to account for unique factors related to the delivery destination that will require additional services, such as a narrow street at the delivery destination that will require the carrier to rent a smaller truck to complete the move. In some cases, these discrepancies between the information upon which the estimate is based and the consumer's final moving plan are due to communication breakdowns between the consumer and the estimator. In other cases, these discrepancies are simply due to the fact that unexpected problems sometimes arise during a move.

How the law addresses this issue:

There are no specific laws or regulations that help prevent communications breakdowns between consumers and estimators.

The DiSorbo Broker Company's Safeguards to Address this Issue:

To generate an accurate estimate, it is critical that an estimator obtain as much information as possible from a consumer. If there are communication breakdowns, this will likely lead to an inaccurate estimate. The DiSorbo Broker Companies have the following procedures in place to minimize the likelihood of communication breakdowns between a consumer and a DiSorbo Broker Company estimator.

- *Intensive Employee Training:* The DiSorbo Broker Companies have an intensive two-week training session for new salespeople. During this training, my salespeople are trained how to solicit all relevant information from consumers. I

have provided the Committee with my training materials, which I believe are the best in the industry.

- *Require Consumer Review of Estimate and Packing List:* After my salespeople develop an estimate and packing list based on the consumer's description of their goods and services requested, my salespeople generate a draft list for consumers to review. This list must be approved by the consumer. And the consumer must expressly confirm that they have reviewed, and agree with, the packing list when they sign the estimate. Again: my companies' price estimates are based on the consumer's description of the property they are moving.
- *Quality Assurance Department:* My companies have a Quality Assurance Department that follows up with the consumer several days before their move to inquire whether their packing list has changed or if they need additional services. This is important because a consumer's packing list often changes between the time they first call a broker company several weeks, or even months, before the move and when they are closer to the move.

2. Cause #2: The Estimator Fails to Generate an Accurate Estimate

An estimate and a final price will vary if the estimator fails to generate an accurate estimate. There are two main reasons why an estimator may fail to generate an accurate estimate. First, an estimator could unintentionally fail to solicit all items on a consumer's packing list. Second, an estimator could intentionally provide a consumer with a lower estimate. This is a classic example of a bait-and-switch scam—the salesperson intentionally baits the consumer with a low estimate knowing full well that the actual price will be much higher.

How the law addresses this:

There are no specific Federal laws or regulations that address this issue, except that, under FMCSA regulations, a consumer must be provided with a "reasonably accurate estimate." General consumer protection laws and criminal fraud, extortion, and related laws can apply when an estimator intentionally provides a lower estimate as part of a bait-and-switch scam.

The DiSorbo Broker Companies' Safeguards Create Accurate Estimates:

The DiSorbo Broker Companies have implemented the following procedures and safeguards to prevent inaccurate estimates:

- *Intensive Employee Training:* As described above, the DiSorbo Broker Companies require all new employees to undergo an intensive two-week training program where they are trained on how to accurately solicit all relevant information from consumers about their move.
- *Automated Estimate Process that Minimizes Possibility of Human Error:* The DiSorbo Broker Companies use a proprietary software program that generates accurate, complete, and detailed estimates for our customers. This software calculates the weight of each item on a consumer's packing list using the industry standard American Moving and Storage Association (AMSA) 400N weight tables. For example, if a salesperson inputs a six-foot couch into this software program, the program will generate an estimated weight for a typical six-foot couch. Based on the consumer's origin and destination, this software program also calculates the total number of miles to be travelled. The software program uses Google® Maps for this function. Once the software program has generated weight and distance calculations, it automatically generates an estimate based off those figures (and the cost of any special services needed such as packing). This portion of the estimate is based on fixed numbers derived from the tariff of the independent moving company that will actually conduct the move (or whose agent will conduct the move).

This automation means that, with few exceptions, the DiSorbo Broker Company estimators receive automated weight formulations of a customer's property. The only variable is that estimators must gather all relevant information from the consumer and correctly input this information into the software program.

- *Compliance with 49 C.F.R §371.113(b):* On January 28, 2011, an important new Federal Motor Carrier Safety Administration (FMCSA) regulation went into effect. This regulation requires broker companies to base their estimates "upon the published tariffs of the authorized motor carrier who will transport the shipper's household goods." Before this law, it was perfectly legal for a broker company to base an estimate on an arbitrary tariff and then try to find a carrier that would conduct the move at that arbitrary tariff rate. If the broker company failed to find a carrier to conduct the move at the arbitrary rate, the consumer either had to pay a higher price or cancel the move. As you can imagine, this

system was ripe for abuse and made it incredibly difficult for a consumer to rely on a broker company's estimate. This practice is now specifically prohibited by the regulation that went into effect on January 28, 2011.

To comply with the January 28, 2011 regulation, the DiSorbo Broker Companies have entered into arrangements with several carriers who act as "primary carriers" for the DiSorbo Broker Companies. When my software program generates an estimate, this estimate is based on the primary carrier's published tariff. Accordingly, the estimate is based on a tariff that will not change. Unfortunately, it is my understanding that the DiSorbo Broker Companies are the only companies in the industry that comply with this regulation. And it is also my understanding that the FMCSA has never pursued an enforcement action for a broker company's violation of this regulation.

This regulation is not easy to follow and it is a substantial burden on my business. Indeed, the burden of complying with this regulation has contributed to a significant decline in my business in recent years (approximately 30 percent decline from 2009 to end of 2011). Despite the negative impact on my business, I have followed the law and I am proud of my companies' work to come into compliance with this important regulation. In fact, on the day the new laws went into effect, I invited the FMCSA into my office to see the changes we undertook. In addition, last year, my attorney Michael Garcia wrote to Secretary LaHood asking that FMCSA begin enforcing this regulation (I have attached Mr. Garcia's letter as Exhibit A). I am so confident in my software and personnel that I would invite the Committee to come to my office and watch actual moves being originated, priced, and booked. We could even engage in hypothetical moves your staff may create.

It is my hope other companies will follow my lead in complying with this important consumer protection law. It is also my hope that the FMCSA will begin to take action against companies that fail to comply.

- *Fee Structure that Disincentivizes Up-charging:* Some broker companies structure their fee as a percentage, or commission, *not* on the *initial estimate* of the move, but on the *final cost* of the move. This may sound like a minor difference, but it is very important. A final-cost fee structure gives the broker an incentive to give a low estimate at the beginning and then reap the benefits when the carrier raises the price on the consumer at the end. The DiSorbo Broker Companies do the opposite—we take a commission only on the initial estimate. In other words, the DiSorbo Broker Companies derive no benefit if a carrier increases fees on customers after the move. This practice creates an incentive for my Salespeople to provide higher, and more accurate, estimates.
- *Periodic Reviews of Salespeople's Estimates:* As a result of this Committee's investigation, I have decided to institute additional new safeguards to monitor my sales personnel's estimates. The procedure will work as follows: On a regular basis, I or another member of my management team will review each sales person's performance to determine whether they are generating accurate estimates. I will do this by comparing the final price to the estimate each salesperson generates for their customers. If the average fluctuation between the estimate and the final price continually exceeds ten percent, my management team will undertake a review of that salesperson's performance. If the review demonstrates the employee is failing to provide adequate estimates, I will require the employee to be retrained. If the employee does not improve, he will be subject to progressive discipline, which will include probation, suspension, and termination.

I am also putting an additional procedure in place to more closely monitor significant price fluctuations so that they will automatically come to my attention. My companies' current practice is for management to review all consumer complaints involving significant variations between initial estimates and final prices. If we determine the variation was our company's fault, we take corrective action including compensating the customer for the error.

I am now in the process of putting in place an additional system to pro-actively monitor price fluctuations. Under this procedure, if there is a variation of twenty percent between a customer's final price and their estimate, I or another member of my management team will conduct an immediate review. If we determine that the salesperson caused the variation by failing to provide an accurate estimate, my company will take automatic corrective action. This may include compensating the customer the difference between the final price and the estimate. These procedures go well beyond what is required by law and I am confident no other company in the business has put in place stronger safeguards to prevent variations between the

broker estimate and the final move price. If the Committee would like, I can report back in a year on how these changes have made a difference.

3. Cause #3: Carrier Manipulates the Final Weight of Consumers' Property

A third reason why initial estimates and final prices vary is that carriers sometimes fail to general accurate final weights for consumers' goods. In the typical moving sequence, a carrier will generate a final weight by first weighing their empty truck on a certified scale without a consumer's property, then weighing the truck with the property, and then calculating the difference. Unfortunately there are a variety of ways for unscrupulous carriers to manipulate this weight.

For example, I know of carriers that weigh their empty truck with little gasoline in the tank. The carrier will then fill the gas tank before weighing their truck with the consumer's goods. This added gasoline can increase the second weight by hundreds of pounds, which will increase the consumer's final price. Similarly, I have heard of carriers that manipulate the initial weight of the empty truck by positioning the tires of the truck in such a way that the scale does not capture the full weight of the truck. This will lead to a lower initial weight, which will increase the difference between the full truck and the empty truck and, in turn, increase the price.

What the law requires:

FMCSA regulations provide that carriers may base their final price on the actual weight of a consumer's goods or on the cubic feet of the consumer's goods. If the price is based on weight, carriers must advise consumers that they are entitled to observe the weighing of their goods. FMCSA regulations also require carriers to provide consumers with the location and time of the weighing and a reasonable opportunity for them to be present. If a consumer disputes the weight of the shipment, they have the right to a re-weighing of the property at no charge. The carrier must provide the consumer with a copy of the weight certificate.

The DiSorbo Broker Company Safeguards:

The DiSorbo Broker Companies have implemented the following procedures and safeguards that go beyond what is legally required to prevent unfair final prices:

- *Standard Operating Procedures:* All carriers in the DiSorbo Broker Companies' network must comply with the terms of my standard operating procedures. These procedures expressly incorporate the FMCSA re-weighing regulations described above. A carrier's failure to comply with my network's standard operating procedures will lead to that company's termination from the network.
- *Review of weight tickets:* All carriers in the DiSorbo Broker Companies network are required to submit certified weight tickets for approval and inspection. Although not required by law, my broker companies act on behalf of the consumer by double checking each weight ticket for compliance with the governing regulations and accuracy. We do not allow a carrier to charge a consumer without proper certified weight tickets. If there is any doubt as to the accuracy of the weight we instruct the carrier to re-weigh the property.
- *Prohibition of cubic foot charging:* Current law allows a carrier to charge a consumer based on either the weight of the consumer's goods or the cubic feet of their goods. While a price based on weight can be easily verified by reviewing the weight tickets, there is no way to easily verify a carrier's cubic foot measurement. Not surprisingly, bad actor companies prefer the cubic foot method over the weight method because it is easier to overcharge a consumer using this method. To prevent this practice, I prohibit carriers in my broker companies' network from using the cubic foot method.
- *Accountability for Bad Actor Moving Companies:* The DiSorbo Broker Companies do everything in their power to prevent problems that arise from bad actor carriers in its network, help consumers through problems when they arise, and hold carriers accountable. For example, I periodically hold mandatory training meetings for carriers in my network. These meetings have included training session and speeches by FMCSA special agents.

  In addition, over the last few years, my broker companies have terminated relationships with approximately 100 carriers that have demonstrated patterns of regulatory non-compliance or generated too many consumer complaints. For example, on November 11, 2010, I terminated Able Moving, Inc., a Chicago based carrier, from the DiSorbo Broker Companies' network after a routine quality assurance review determined they had forged a consumer's signature and flagrantly violated important consumer protection laws (a copy of Able Moving, Inc.'s termination letter is attached to this testimony as Exhibit B). In fact, I

have provided the Committee with a list of all carriers I have terminated from my network. I encourage the Committee or FMCSA to investigate these carriers.

- *Customer Service:* Broker companies have no legal obligation to assist customers who experience issues with carriers during a move the broker company arranged. Because there is no legal obligation, most brokers refuse to help consumers who experience problems with the carrier that conducted the move. The DiSorbo Broker Companies, on the other hand, do not wash their hands after they book a move. My companies stay involved with consumers from the beginning to the end of the move. My companies accept customer complaints and work with the carrier to ensure consumer complaints are adequately addressed. Indeed, I often help pay for a customer's move even when the customer's issues entirely unrelated to my broker company's conduct to ensure customer satisfaction.

C. Solutions For Price Increase Problems in Moving Industry

In July 2012, Congress passed, and President Obama signed into law, a surface transportation reauthorization bill (MAP–21). This law contains a number of important new consumer protection provisions related to the moving industry, including imposing stricter registration requirements for brokers and directing the Secretary of Transportation to establish minimum solvency and bonding requirements for brokers. While these changes are encouraging, they are not enough. There are a number of additional straightforward, common sense actions the Federal government can take to better protect consumers from unfair price increases and hostage situations that could occur during a move. I outline below a number of my recommendations.

1. More FMCSA Enforcement

The first and easiest solution to addressing the problem of price increases in the moving industry is for FMCSA to enforce the regulations that are currently on the books. As detailed in this testimony, the FMCSA has not aggressively enforced some of its most important consumer protection regulations. For instance, as described above, the FMCSA does not appear to aggressively enforce 49 CFR § 371.113(b), the regulatory requirement that brokers base their estimates on carriers' tariffs. A second important regulation FMCSA does not appear to enforce is 49 CFR § 371.107, which requires brokers to prominently disclose to consumers that they are not carriers. One frequent complaint about brokers is that consumers sometimes book broker services without fully understanding that brokers do not actually conduct moves. 49 CFR § 371.107 is designed to prevent this type of consumer confusion. While my broker companies strictly comply with this regulation, it is my understanding that many in the industry do not and the FMCSA has not aggressively enforced it. I urge this Committee to work with the FMCSA and to ensure the agency has the resources and authority it needs to aggressively enforce its mandate.

2. Require Broker Companies to Provide Consumers with the Opportunity to Review a Written Itemization of their Packing List

One of the most important consumer protection practices that my broker companies have implemented is to always provide consumers with an itemized list of the packing list that my estimators use when they generate an estimate. A customer must confirm in writing that they have reviewed and agree with this list. This practice helps ensure that the customer's packing list is accurate and helps generate more accurate estimates.

My companies provide this list even though there is no legal requirement for a broker company to provide a customer with a written packing list as part of the estimate process. I strongly urge Congress or the FMCSA to make this a legal requirement. This simple and common-sense proposal would help ensure that consumers are provided with reliable estimates.

3. Require Broker Companies to Proactively Follow up with Consumers within One Week of Move

One reason the final price sometimes fluctuates from a broker company's estimate is that consumers often book moves with a broker months in advance of their move date. Between that booking date and the moving date, the consumer's packing list could change considerably. Indeed, it is highly likely that the consumer did not have a full understanding of all they had to move at the time they booked the move.

My companies' Quality Assurance Department follows up with all customers within one week of the move to go over their packing list. This follow-up ensures my customers have a more accurate idea of what their move will cost before the carrier shows up on the day of the move. I urge Congress or FMCSA to require all broker

companies to contact customers within one week of the move date to confirm the customer's packing list.

4. Prohibit Broker Companies From Tying Commissions to Final Move Price

One of the biggest problems in the industry is that some broker companies link their commission to the final price charged by carriers. Naturally, this gives those broker companies an incentive to give consumers an initial low estimate to get their business in the door and then reap the benefits when the carrier charges them a significantly higher price. As described above, the DiSorbo Broker Companies do the opposite—the DiSorbo Broker Companies' fee is linked to the initial estimate. Accordingly, the final price has no bearing on my companies' fee and there is no incentive for my companies to pull the bait-and-switch scams that too often occur in the moving industry. I urge Congress or the FMCSA to expressly prohibit broker companies from linking their fees to the final cost of the move.

5. Stricter Registration Requirements for Brokers

The July 2012 surface transportation reauthorization bill included a provision requiring carriers to complete a proficiency examination to demonstrate that they know how to, and intend to, comply with law related to consumer protection, estimating, and liability limitations. But the law did not include a similar requirement for broker companies. There is no reason that brokers are not subjected to the same requirements and I strongly urge Congress or the FMCSA to implement proficiency requirements for broker companies.

6. Provide Broker Companies with More Information About Carriers

One obstacle for broker companies that want to hold bad actor carriers within their networks accountable is that broker companies have access to only a small amount of information about those carriers. For instance, it may be the case that a broker company never learns about an issue that occurred between a customer and a carrier during a move booked by the broker because the customer never reports the issues to the broker company. If a carrier in my network harms one of my customers, I want to know so that I can help the customer and take action against the carrier.

The FMCSA could provide broker companies with this information by taking the simple step of advising broker companies about all complaints it receives about moving companies in the broker's network. I wrote to the FMCSA in 2007 asking the agency to implement this change. The FMCSA has not yet acted on my recommendation.

7. Prohibit the Use of Cubic Foot Calculations to Determine Consumer Charges

As described above, it is easy for a carrier to overcharge a consumer by basing the price of the move on a cubic foot measurement rather than the weight of the property because it is very difficult for a consumer to verify the accuracy of the carrier's cubic foot measurement. I urge Congress or the FMCSA to prohibit carriers from basing final prices on cubic foot measurements.

8. Require Advance Disclosure of A Menu of All Services and Prices to Consumers

A common problem that arises during a move is that consumers are surprised when a carrier charges them more to complete the move because the carrier encounters an unexpected variable. For example, if the consumer's new home is on a very narrow street, the carrier may have to pay to shuttle the consumer's goods from their truck to the consumer's home by renting a smaller truck that can fit down the street. Or it may sometimes be the case that a consumer requires packing help that the consumer did not expect when he booked the move. While it is a good business practice to clearly disclose to consumers that extra services, such as shuttle and packing services, are not included in their estimate, no disclosure laws mandate this practice. I urge Congress or FMCSA to implement strict disclosure requirements so that consumers know exactly what they are paying for.

D. Conclusion

Mr. Chairman, when time allows, I would like to extend my testimony to further discuss "hostage" situations and why (or how) there has been an increase in the numbers of unregistered brokers and unlicensed carriers, many of whom cause the problems you are investigating today. There are serious problems in the moving industry and I again commend the Committee for holding this hearing to get to the bottom of those issues. But identifying problems is just a start; Congress and the FMCSA must find solutions to better protect consumers and the honest broker companies that cannot compete with the rogue companies that flout the law.

I have voluntarily cooperated with this Committee's investigation because I am hopeful that this hearing and this investigation will lead to solutions. In particular, I have provided the Committee with complete copies of consumer files and consumer complaints sent to my companies. I have willingly provided these documents because I believed they would aid the Committee's investigation. All I ask in return is that I have the opportunity to tell the story from my perspective.

Moving is a difficult business and coordinating a move is a difficult task. There are a variety of complex logistical variables that go into a move, including the availability of moving company trucks and personnel, ensuring that drivers do not exceed the maximum number of hours they are legally allowed to drive in a day, weather issues that may cause travel delays, and the inherent difficulty of predicting the weight of a consumer's goods (and, in turn, the price of the move). It is unfortunately the case that things occasionally go wrong and a consumer has a bad moving experience.

And there is no doubt that some of the documents I produced illustrate bad moves. I acknowledge that, at times, my customer's expectations, and my expectations, were not satisfied and I acknowledge that some of these files document these shortcomings. I wish I could personally broker and conduct every move. But, of course, I cannot; I must rely on others to broker and conduct moves for my companies.

If the Committee deems my specific business practices important to its investigation, I urge the Committee to avoid just focusing on a few of the complaints in my production. My commitment to providing customers with reliable moving services cannot be assessed based on a review of a small percentage of the customer's story about the move. Like any business, there are instances where my employees do not follow their training and do not comply with the company's rules. Instead of focusing on these isolated incidents, I encourage the Committee to focus on the practices I have put in place. As detailed in this statement, these practices go above-and-beyond what the law requires and what is standard in the industry.

Finally, many of the complaints do not relate to my companies' performance. Instead, most of the consumers' complaints in those files relate to the carriers' failures. As you can see by reviewing those documents, consumers often call broker companies to complain about carriers because the broker company has served as the consumer's point-of-contact. While most broker companies refuse to help consumers at that point since there is no legal obligation to do so, my companies mediate disputes between consumers and carriers and often serve as a consumer's advocate with the carrier. Indeed, as the documents I produced illustrate, I often wind up compensating consumer's for their issues with carriers even though I have no legal or business obligation to do so.

Mr. Chairman, it is time for this Committee and this Congress to take action to clean up the moving industry. I believe this Committee can best help in this effort by focusing its time and resources on the questions of *why* bad moves occur and what are the *solutions* to address these causes. Please know that you and your Committee have my continued support as you continue your important work on this issue. Thank you for the time and attention to my ideas and recommendations.

EXHIBIT A

MICHAEL
GARCIA
ATTORNEY AT LAW

Michael A. Garcia
Attorney at Law

August 10, 2011

Mr. Ray LaHood
United States Secretary of Transportation
United States Department of Transportation
1200 New Jersey Ave, SE
Washington, DC 20590

Re: Enforcement of 49 CFR Section 371
New regulations governing interstate brokers of household goods

Dear Secretary LaHood,

I am an attorney specializing in transportation law with an emphasis on household goods regulatory compliance. I am writing to you in an effort to encourage the U.S. DOT and FMCSA to increase enforcement actions against interstate household goods brokers who are not complying with the new regulations as codified in 49 CFR Section 371 *et seq*.

In my practice I have represented several hundred interstate moving companies and have recently had numerous calls from motor carrier clients asking me why the FMCSA is not holding interstate brokers accountable if they do not following the regulations. As you may be aware, many motor carriers believe that interstate brokers mislead consumers and are the cause of many consumer related complaints. Although, there is a legitimate place in the industry for interstate brokers, they must be held accountable and made to follow the regulations just as motor carriers. Interstate brokers who disregard the consumer protection regulations should have enforcement actions brought against them just as motor carriers who do not follow the regulations.

In particular, the new regulations under Part 371 spell out a list of consumer protection laws that interstate brokers must follow. The new regulations increase important information to be disclosed to consumers as well as hold brokers accountable for working with unscrupulous and unlicensed motor carriers.

As the peak of this years busy moving season nears an end, many motor carriers have expressed concerns that most interstate brokers have not complied with the new regulations. They believe that the FMCSA's failure to actively enforce the regulations against interstate brokers has created an uneven playing field between motor carriers and brokers. Interstate brokers who are not held to the same level of accountability as their motor carrier counter parts effectively receive an unfair advantage in the marketplace. Moreover, interstate brokers disregarding the regulations put consumers at risk of harm based upon potential fraud, deceit, and illegal sales tactics.

The motor carriers I have heard from tell me that most interstate brokers have completely disregarded the consumer protection regulations. Specifically, the information I have received says that most brokers have continually violated the following regulations:

Violation	Description
49 CFR § 371.113(b) Failing to base the estimate upon the tariff of the motor carrier who performs the services.	Compliance with this regulation requires brokers to know which motor carrier will perform the moving services at the time the estimate is issued. Most brokers book the job and then try to find a motor carrier to service the job after the fact, thus violating the regulation.
49 USC § 14903(a) Undercharging tariff rates	Most interstate brokers provide massive unjustified "discounts" from tariff rates without cause, explanation, or tariff authority. Section 14903(a) expressly spells out civil penalties for "Undercharging" or providing services "at a rate different than the rate in effect" in the published tariff.
49 CFR § 371.105 Use of unlicensed motor carriers.	Many interstate brokers sell jobs to motor carriers whom are not licensed, have inactive authority, or have improper authority (such as property authority and not household goods authority).
49 CFR § 371.107 Advertising disclosures	Many interstate brokers do not disclose that fact that they are brokers and not motor carriers to consumers. The new regulations required that brokers "prominently" display this information on their websites and advertisements.
49 CFR § 371.109 Disclose list of motor carriers	The new regulations require that interstate brokers provide a listing of all motor carriers used in their services. Many interstate brokers are not providing such a listing to consumers.
49 CFR § 371.117 Disclose refund and cancellation policy to consumers	The new regulations require that interstate brokers disclose their refund and cancellation policy to consumers. This information must be "prominently" displayed on their website. Many interstate brokers are not providing such information to consumers.

I believe that the regulations as codified in 49 CFR § 371 *et seq* are an important part of the consumer protection regulations. These regulations applying to interstate brokers must be enforced and given the same significance that the regulations governing interstate motor carriers are given. All consumers will be better served when the regulations governing both motor carriers and brokers are enforced.

Thank you for your time and efforts in helping to protect consumers and keep the highways safe by actively enforcing the regulations.

I appreciate your attention and courtesy.

Yours very truly,

Michael

MICHAEL A. GARCIA
Attorney at Law

cc: Ms. Anne S. Ferro
Federal Motor Carrier Safety Administration
1200 New Jersey Avenue, SE, Suite W60-300,
Washington, DC 20590

EXHIBIT B

Nationwide RELOCATION SERVICES

6245 Powerline Rd, Suite 202
Fort Lauderdale, FL 33309
Phone: (888) 750-6683 Fax: (954) 776-6436

November 11, 2010

Able Moving, Inc.
730 W. Lake Street #180
Chicago, IL 60661

Dear Jeremy Mondell,

Your office was previously spoken with in reference to adhering to our standard operating procedures and Department of Transportation Guidelines for Inter-State Moves. You were made aware prior to hauling our customers the requirements we expect from carriers within our network.

After thorough research, our office determined the revised written estimate you submitted to our office for job #5606352-04 was forged with the customer's signature. In addition, you advised our office that after arrival of your drivers you sent the customer blank documents to be completed later.

Based on this clear violation of Department of Transportation law, in the best interest of our customers, we regret to inform you that effective immediately we are terminating your 409 Hauler Agreement with our office.

Please be advised any customer that reports a violation of Department of Transportation regulations will automatically be reported to the Department of Transportation.

Thank you,

Nationwide Relocation Services, Inc.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. JIM DEMINT TO HON. ANNE S. FERRO

Question 1. Please explain the consumer outreach and public awareness initiatives undertaken by the FMCSA regarding the household goods moving industry, including the "Protect Your Move" website.

Answer. FMCSA continues to maintain wide scale outreach and education awareness for consumers. The outreach and education includes communications with household goods industry associations and State and Federal agencies. The four main initiatives that are used by FMCSA are:

1. Protect Your Move website: *www.protectyourmove.gov*
2. Household Goods Working Group
3. Moving Fraud Working Group
4. National Consumer Complaint Database (NCCDB)

In December 2004, FMCSA developed a Household Goods (HHG) Consumer Information Program Plan outlining its enforcement and outreach strategies, which included market research, a new website, outreach and education materials, and links to State and industry Websites.

In February 2005, FMCSA established a HHG partnership with other Federal agencies, State law enforcement agencies, consumer protection groups, and several moving industry associations to provide consumers information to protect themselves against dishonest and rogue movers.

In June 2005, FMCSA launched its Protect Your Move website (*www.protect yourmove.gov*). The website provides information for consumers to plan a successful HHG move and to avoid becoming victims of moving fraud. There have been more than 15 million hits on the website since its launch. The average daily hit rate is 11,600, with the average visit lasting 12 minutes.

In December 2009, FMCSA established a HHG Working Group with other Federal agencies, State law enforcement agencies, consumer protection groups, and several moving industry associations to develop ways to effectively communicate and share information to aid in law enforcement efforts.

In May 2012, FMCSA overhauled its Protect Your Move website. The website is an interactive tool/resource for consumers who are seeking to move their HHGs. Additionally, FMCSA has partnered with State counterparts to allow States access to specific tools within the new website to assist in HHG investigations. The website includes Consumer Protection Advisories and information to help protect consumers from fraud, Public Service Announcements, and links for consumers to do research and file complaints. The website also features a Moving Fraud Prevention Checklist. This document provides a list of steps the consumer should take to avoid being a victim of moving fraud, and is translated into 9 languages. Another new feature of the website is the FMCSA Spotlight. This section provides targeted information for consumers and updates that consumers can use to assist them in planning for a move. Last, the website has a section of important resources where: (1) the consumer may check the registration status and complaint history of a carrier in advance of his/her relocation; and (2) obtain information about State resources pertaining to HHG moves.

The FMCSA continues to feature its *Protect Your Move* website in the "mover's disclaimer box" in the "Movers" section of the Yellow Book USA directory. There are over 975 Yellow Book directories printed each year with an annual distribution of nearly 123 million copies.

Question 2. Do household goods moving brokers provide a service that consumers can realize value from using?

Answer. Legitimate brokers can be of benefit to consumers if the brokers have a large client base and volume of business that allows individual customers to benefit from competitive pricing. In addition, good brokers research, pre-qualify, and recommend moving companies that are properly licensed and insured. Brokers can arrange and recommend specialty packing service providers and assist customers in filing valuation and/or insurance claims with the moving company after the move. However, most HHG brokers conclude their transaction with the consumer after securing payment and linking the consumer with a motor carrier.

Question 3. Do household goods moving brokers provide a service that household goods carriers can realize value from using?

Answer. A broker works to determine the needs of the shipper, and connects the shipper with a carrier willing to transport the items at an acceptable price. If performed in accordance with the regulations, broker services can be valuable, especially to small household goods companies which have more of a challenge finding loads during non-peak moving season. Many small operations do not have the resources to solicit business, so this market arrangement is beneficial. By using a broker, the carrier can fill his/her truck with products going on the same route, allowing them to earn more money. Brokers can be used to coordinate and schedule the loads and interact with the shipper.

Question 4. Are household goods carriers and brokers required to place FMCSA contact information on their websites? If not, does the FMCSA have authority to require such action?

Answer. FMCSA does not currently require HHG carriers and brokers to provide FMCSA contact information on their websites. Pursuant to its statutory authority to regulate HHG carriers and brokers at 49 U.S.C. Subtitle IV Part B, FMCSA believes that it has the authority to require carriers and brokers to provide such FMCSA contact information. Such a requirement would need to be adopted pursuant to notice and comment rulemaking.

Question 5. What changes could FMCSA make to improve the household goods moving experience for consumers?

Answer. The new surface transportation reauthorization law, Moving Ahead for Progress in the 21st Century (MAP–21), sets forth requirements pertaining to the standard for entry into the interstate HHG industry. MAP–21 directs the Secretary of Transportation to issue distinctive registration numbers to a person for each authority they request to provide transportation or services such as brokering or freight forwarding. MAP–21 increases the level of financial responsibility necessary to be registered as a HHG broker, from $25,000 in surety bonds or trust funds, to $75,000, in order to help address claims from failure to pay freight charges under a contract or agreement. HHG motor carriers also will be required to pass an examination to demonstrate knowledge of safety and consumer protection regulations before entering the industry. These changes will improve the HHG moving experience for consumers.

In addition, FMCSA will continue its multi-layered approach to ensuring consumers are protected against moving fraud and abuses. The main components of FMCSA's efforts to maintain high standards in the HHG industry are the National Consumer Complaint Database (NCCDB), the Top 100 Household Goods Prioritization list, and the hostage goods resolution program.

The Agency also is considering other outreach methods including the development of a smart phone application that would allow shippers to check FMCSA's data before hiring a moving company or broker.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. JIM DEMINT TO TIMOTHY M. BARRY

Question 1. Please explain the impetus for "Operation Boxed Up."

Answer. We recognized the significant, negative impact that rogue HHG motor carriers and brokers can have on our Nation's consumers and workforce, and developed a risk-based strategy to direct investigative resources in this area of fraud. In March 2011, we launched "Operation Boxed Up," a proactive, cooperative initiative aimed at removing unscrupulous HHG movers before they further victimize American consumers. Operation Boxed Up involved the analysis of databases from FMCSA's HHG regulatory program and then identifying the most egregious hostage load complaints consumers filed against HHG carriers and brokers. We focused, in particular, on groups of interrelated carriers and brokers engaged in hostage fraud schemes. Currently we have 14 open investigations involving companies operating under 108 different names with over 3,800 potential victims.

Question 2. Are brokers and carriers involved in DOT IG investigations generally registered with FMCSA?

Answer. Of the approximately 108 names being used by companies that are associated with our investigations, approximately 58 percent have either a DOT and/or MC number from the FMCSA.

Question 3. Do household goods moving brokers provide a service that consumers can realize value from using?

Answer. We would agree with Ms. Bauer Darr's testimony[1], wherein she indicated that legitimate brokers can perform an important function as intermediaries between consumers and reputable movers, if consumers are adequately educated about brokers' role in the moving process. However, due to the nature of our work we are exposed to only the negative interactions between consumers and brokers, a relationship that appears to us to be valuable only to the broker.

Question 4. Do household goods moving brokers provide a service that household goods carriers can realize value from using?

Answer. A broker links household goods carriers with consumers, who might not otherwise find each other. Again, as Ms. Bauer Darr indicated in her testimony, legitimate brokers can perform an important function as intermediaries between consumers and reputable movers.

As to the value of the relationship between HHG brokers and HHG carriers, based on our investigative work, we are not able to make any observations about that relationship.

Question 5. What changes could FMCSA make to improve the household goods moving experience for consumers?

Answer. We have not assessed the effectiveness of FMCSA's HHG program. However, the GAO has conducted three audits of FMCSA's HHG program over the past

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[1] *http://www.promover.org/content.asp?contentid=254&sl=3&pl=19.*

eleven years, the last of which was conducted in 2009 and concluded that Increased Focus on Consumer Protection Is Needed.

In July 2012, Congress and the President gave FMCSA additional authorities to directly assist the HHG consumer. Under the MAP–21[2] legislation FMCSA may now award an aggrieved consumer all or a portion of a civil penalty imposed against an unscrupulous household goods mover. Further, FMCSA may now act on behalf of the victim in these types of frauds by ordering, after notice and opportunity for proceeding, that a carrier holding a customer's HHG hostage return the goods.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. JIM DEMINT TO LINDA BAUER DARR

Question 1. What does AMSA require of brokers and carriers to attain and maintain a membership?

Answer. AMSA requires motor carrier and broker applicants for AMSA membership to agree in writing to abide by the *AMSA Code of Ethics;* compliance with Federal and state licensing and registration requirements; no use/display of AMSA or ProMover names and logos before authorization to do so; compliance with relevant FMCSA household goods broker, carrier and consumer protection regulations; no indication of a pattern or excessive number of consumer complaints; have a BBB rating of "C" or higher; and no evidence of holding goods hostage. Only AMSA interstate mover members are authorized to participate in the ProMover program. ProMover is AMSA's primary means of providing consumers with a guide to movers who will provide services in an ethical manner in compliance with all Federal consumer regulations. AMSA carefully monitors and annually reviews certified ProMovers to ensure compliance with the ProMover standards and Federal consumer rules and removes carriers that do not comply. In the first year of the ProMover program, AMSA terminated the membership of 200 carriers for failure to meet standards.

Question 2. What benefits are offered to consumers when they use the services of a household goods broker?

Answer. Brokers can act as a marketing bridge between consumers and household goods motor carriers. An ethical, experienced broker will have developed relationships with a number of responsible, competent household goods carriers and can provide an array of reasonably priced choices and options to the consumer.

Question 3. How does a motor carrier benefit from the use of a household goods broker?

Answer. The primary benefit of brokers to motor carriers is that they offer expanded marketing and consumer outreach capability, greater than what most motor carriers could afford on their own. This is particularly true for small household goods carriers.

Question 4. What changes could FMCSA make to improve the household goods moving experience for consumers?

Answer. On October 18, 2012, FMCSA published a Notice in the Federal Register announcing a new program to clamp down on motor carriers who wrongfully withhold household goods shipments by suspending carriers' authority to operate in interstate commerce from 12 to 36 months. This is a promising development, but the program can be effective only if FMCSA has the resources to enforce it.

FMCSA could improve consumers' household goods moving experience by establishing a joint cooperative program with the household goods moving industry to provide real-time consumer assistance and advice. This joint assistance program could be patterned after MoveRescue, an existing industry program to provide immediate advice and assistance to consumers with household goods moving problems, particularly in hostage shipment situations.

FMCSA could also enhance the household goods moving experience and help safeguard consumers by modernizing the educational information that consumers receive from household goods carriers and brokers. FMCSA today requires the distribution of an information package, *Your Rights and Responsibilities,* that resembles 60 pages of the *Federal Register.* It is difficult to comprehend and often ignored by consumers. FMCSA could convene a group of education, consumer, and industry experts to refine that document and other educational materials into a more user friendly format that would be truly useful to consumers.

Question 5. Please provide the Committee any proposals you may have to improve the regulatory structure provided for the household goods industry.

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[2] U.S. Public Law 112–141.

Answer. AMSA has provided legislative proposals to the Commerce Committee, which would implement most of the suggestions regarding establishing a new joint industry/government consumer assistance program and ways to improve consumer education. However, a critical shortcoming is that FMCSA needs additional resources to carry out a program of effective consumer protection and enforcement. The protection of interstate household goods shippers is an appropriate and important current Federal government function, but it must be improved. There are approximately 7,000 companies at 13,900 locations executing between 800,000 and 1.2 million interstate household goods moves annually, yet there are only 5–10 FMCSA employees trying to protect household goods consumers and catch rogues. AMSA has called for $3 million annually to hire additional FMCSA household goods inspectors. We continue to believe that this is needed, at a minimum. When household goods regulatory responsibility rested with the Interstate Commerce Commission before its termination in the mid-1990s, ICC had a household goods staff of approximately 70–100.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. JIM DEMINT TO JASON M. ROMRELL

Question 1. What is your company's process for selecting carriers?

Answer. Budget Van Lines has a robust carrier selection process that goes above and beyond what is required by law. We have contractual relationships with federally licensed and insured household goods motor carriers to whom we broker jobs. We only use motor carriers that are licensed by the Federal Motor Carrier Safety Administration and that are adequately insured. We created our own custom-built software system that checks the Federal licensing status of every motor carrier in our network each day to ensure they have not been placed out of service by FMCSA. This ensures that we do not book moving jobs with carriers who have unacceptable safety ratings or who have been suspended or revoked by the FMCSA. We are not aware of any other broker in the industry that has developed any type of similar software. If we find a carrier has been placed out of service, we suspend all jobs to that carrier immediately and will not book jobs for that carrier until they are back in good standing with FMCSA. Since 2005, we have terminated relationships with over 580 motor carriers for various reasons, including a lack of quality customer service and regulatory noncompliance.

Before signing a carrier to our network, we consider the history of prior ownership, prior affiliations with other companies, service history, credit history, complaint history, claims-resolution processes and other important business information and practices to the extent such information is available to us. Because safety is also important to us, we also check the carrier's FMCSA Compliance, Safety and Accountability (CSA) score and will refuse or subsequently drop a motor carrier if the carrier's CSA score suggests serious ongoing concerns. In fact, the same software program we designed to check every carrier's licensing status on a daily basis also checks every carrier's safety ratings so carriers who are deemed 'unsatisfactory" by the FMCSA are flagged for immediate review and disqualification in our system.

If we discover a motor carrier that exhibits an ongoing pattern of unprofessional performance or that fails to comply with Federal regulations, we will suspend or terminate that carrier from our network. We also provide motor carriers with our own Quality Control Guidelines, a checklist of issues to help them conduct business in compliance with the Federal regulations, and to help them avoid or reduce customer complaints. As evidenced here, we go well beyond our legal requirements. *The only thing the law requires we do is to check that a carrier is licensed and insured.*

Question 2. What benefits are offered to consumers when they use the services of a household goods broker?

Answer. Brokering is a common business model in many industries, from travel to insurance sales to the groceries on the supermarket shelves. Brokering is an effective and common business model because it increases options and saves businesses and consumers time and money. In the interstate moving industry, brokers like us arrange transportation services between customers and qualified household goods motor carriers. We help customers in a variety of ways, by providing easy access to more transportation options, lower costs and time savings. We help customers navigate a host of complicated and often unfamiliar decisions that must be made when arranging an interstate move. Many customers with smaller moves and smaller budgets, and those outside major urban areas, would not have access to an affordable household goods mover without the services of a broker.

Question 3. How does a motor carrier benefit from the use of a household goods broker?

Answer. Household goods brokers help federally licensed household goods motor carriers operate more efficiently by reducing their marketing costs and helping them connect with customers. We save motor carriers money and time by taking inventories and working with customers through the initial sales cycle. We also help motor carriers operate in a difficult economy by giving them a way to fill empty space on return trips and to fill partial loads. The majority of the motor carriers in our network are small businesses that would not survive or thrive without the services of qualified brokers such as Budget Van Lines. The services we provide create a win-win situation for both consumers and household goods motor carriers.

Question 4. What changes could FMCSA make to improve the household goods moving experience for consumers?

Answer. Budget Van Lines makes the following recommendations for FMCSA to improve the household goods moving experience for consumers:

- Require FMCSA to focus more attention on the enforcement of household goods brokers and carriers.
- Require the FMCSA to create a short, easily readable, summary consumer education document with key information necessary for consumers to make informed decisions when considering interstate moves.
- Require FMCSA to create a more accessible, user-friendly online resource where shippers can evaluate brokers' and carriers' performance and job histories, including the previous suggestion that brokers and carriers report total jobs booked/carried so complaint ratios can be provided to consumers with accuracy and reliability.
- Encourage or require more expeditious, responsive, and aggressive license revocation processes for brokers and carriers who are in violation of Federal regulations, thereby protecting consumers from rogue movers and automatically preventing brokers from using rogue movers.
- Encourage the FMCSA to create standard volume measurements for common household items, thereby bringing some uniformity to the inventory process.
- Require the FMCSA to deny licensing to individuals or businesses who have been implicated in regulatory violations previously, including the transfer or sale of existing businesses already licensed, if the new owners have an adverse or negative history in the moving industry.

Because we believe that many rogue movers giving the moving industry a bad name are run by individuals who pay others to take record-ownership of the company to circumvent close FMCSA scrutiny and to obtain or retain carrier authority (straw-men strategies), require the FMCSA to conduct interview of new applicants or restrict the free transfer of motor carrier authority already assigned to an existing company, thereby reducing or eliminating straw-man strategies.

If the FMCSA cannot or will not engage in faster or more aggressive license revocations, require the FMCSA to share with brokers its data on motor carriers so brokers can ensure they are not working with known problem carriers.

Question 5. Please provide the Committee any proposals you may have to improve the regulatory structure provided for the household goods industry.

In addition to the actions recommended for FMCSA in the previous question, Budget Van Lines has several recommendations for requirements on brokers and carriers to further improve the regulatory structure for the household goods industry and to improve the moving experience for consumers:

- Consider whether to require brokers and carriers to provide estimates based only on weight, since shipments moved pursuant to volume-based estimates can be easily manipulated upward by carriers in the packing and loading process. NOTE: Budget Van Lines requires our estimates to be done by weight, even though Federal law currently permits either weight or volume.
- Require brokers and carriers to send the shipper's survey-based inventory to customers separate from all other paperwork, along with a simple explanation that the inventory is the basis for the estimate and any changes to the inventory may results in a revised estimate and additional fees on the day of the move.
- Require motor carriers to price overages based on the price-per-pound quoted in the estimate instead of allowing the motor carrier to use a higher price-per-pound, even if that higher rate is allowed under the motor carrier's tariff.
- Require brokers and carriers to notify customers that they may review and revise their estimate's inventory of items up to 48 hours before the scheduled

pick-up time, giving customers time to see how such changes will affect the estimated cost.

Prohibit brokers, motor carriers and their employees from profiting from price adjustments, before, during or after a move that do not meet regulatory requirements (in such cases, the FMCSA could "claw-back" those profits and return them to the consumer, along with other appropriate penalties assessed against the offending entity.

Require brokers and carriers to publish on their websites, visible to consumers, the percentage of their loads booked during a specified period that resulted in a known price increase, the range of those increases, and average or median increases (similar to airlines reporting their percentage of on-time departures).

Require motor carriers using a broker for booking jobs to promptly provide the broker with data regarding price increases.

Mandate the inclusion of a prominent warning on the Bill of Lading and on any revised written estimate above the shipper's signature lines warning shippers not to sign documents with any blanks (except those blanks that are necessary to be blank and are authorized by Federal regulations).

Require brokers and carriers to report to the FMCSA and display on their websites the number of household goods shipments they booked/carried each month, so consumers are able to evaluate complaint ratios versus gross complaint numbers posted by the FMCSA (a broker or carrier with 10,000 jobs and 200 complaints may be providing far better service than a broker or carrier with 1,000 jobs and 40 complaints.)